2004 Net Earnings of $160 Million Set New Record; Metals Expansion Base Agreement Signed

Highlights

- Revenue exceeded $1 billion for the first time as commodity prices maintained momentum
- Record annual net earnings and cash from operating activities
- Production records established for coal, nickel, cobalt and electricity
- 16,000 tonnes per year expansion project for Metals approved
- Expansion underway in Coal, Power; new oil discovery in Cuba
- Repurchased $100 million 6% convertible debentures in fourth quarter

Toronto, Ontario, March 4, 2005. Sherritt International Corporation today announced record net earnings of $160.0 million or $1.20 per share for the year ended December 31, 2004, almost double the net earnings of $83.2 million or $0.75 per share in 2003. Higher nickel and cobalt prices and higher sales volumes of coal and cobalt were the most significant drivers of the excellent results for 2004. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year were $490.7 million compared with $362.6 million in 2003. Earnings from continuing operations, excluding certain items not indicative of ongoing operations, such as write-downs, severance costs and currency translation adjustments, were $153.5 million for 2004 or $1.17 per share compared with $80.0 million or $0.67 per share in 2003. Total cash balances increased to $452.0 million at year end. All amounts in this press release represent Sherritt's 100% interest, except for amounts relating to Coal and Metals, which reflect the Corporation's 50% interest in these businesses, unless otherwise indicated.

Financial Highlights (unaudited)

	Three months ended December 31		Year ended December 31	
(millions of dollars, except per share amounts)	2004	2003 (restated)	2004	2003 (restated)
Revenue from continuing operations	$ 261.9	$ 250.4	$ 1,086.0	$ 902.7
EBITDA [1]	100.2	98.9	490.7	362.6
Operating earnings from continuing operations [1]	70.9	52.6	325.0	175.7
Earnings from continuing operations [2]	22.7	20.5	157.3	76.3
Earnings from continuing operations, excluding certain items [1] [2]	14.7	27.6	153.5	80.0
Net earnings	24.4	20.5	160.0	83.2
Earnings per share – basic				
From continuing operations [2]	0.15	0.20	1.18	0.69
From continuing operations, excluding certain items [1] [2]	0.11	0.21	1.17	0.67
Net earnings	0.17	0.20	1.20	0.75
Earnings per share – diluted				
From continuing operations [2]	0.13	0.15	0.91	0.59
From continuing operations, excluding certain items [1] [2]	0.10	0.17	0.88	0.60
Net earnings	0.14	0.15	0.92	0.63
Weighted average number of shares				
Basic	131.3	131.2	131.3	119.3
Diluted	197.7	197.4	197.8	188.6

[1] Reference should be made to the Summary Financial Results by Segment and the Supplementary Financial Information later in this news release for a description of the above financial measures and for a reconciliation of these measures to GAAP measures.

[2] Earnings from discontinued operations in 2003 of $6.9 million (net of income tax expense of $7.1 million) comprised the metallurgical coal operations disposed of in February 2003 and included a pre-tax gain of $12.9 million on the disposition. Earnings from discontinued operations in 2004 of $2.7 million (net of income tax recovery of $0.2 million) relate to the settlement of outstanding items from the metallurgical coal disposition in the second quarter.

Effective October 1, 2004 Sherritt adopted new accounting requirements, issued by the Canadian Institute of Chartered Accountants, in respect of accounting for convertible debentures and the consolidation of variable interest entities. Both changes have been applied retroactively with restatement of prior periods.

In late December 2004, Sherritt confirmed that initial results for the exploration well at Santa Cruz were promising. Appraisal wells will be drilled in 2005 and, if initial results are borne out, commercialization of the field is expected to commence in early 2006.

In January 2005, Sherritt issued a redemption notice for its remaining $200 million of 6% debentures. The debentures will be redeemed for common shares on March 9, 2005 at the rate of 106.49 shares per $1,000 principal amount of 6% convertible debentures. Debenture holders have the right to convert their 6% convertible debentures for 113.96 common shares per $1,000 principal amount of debentures up until March 8, 2005. In early 2005, Sherritt also circulated an issuer bid for the repurchase of up to 10 million common shares at a price of $10 per share. The issuer bid will be open until March 11, 2005.

On March 3, 2005, the Corporation and its Cuban partner executed a base agreement providing for an expansion of annual production by 16,000 tonnes of nickel plus cobalt in mixed sulphides, to a total of 49,000 tonnes. The Corporation and its Cuban partner have agreed to equally fund the projected capital requirements, up to U.S.$450 million. In addition, the Cuban partner has agreed to ensure the granting of concessions for ore reserves for 25 years of production at the expanded rate of production. Construction is anticipated to begin in 2005 with project commissioning expected by the end of 2007. Basic engineering and a drilling program to delineate ore reserves in the concessions already granted have begun.

The Corporation expects to fund or enter into commitments to fund projected capital expenditures of approximately U.S.$50 million in 2005, with the balance over 2006 and 2007. During the course of basic engineering, the Corporation and its Cuban partner will file certain detailed engineering information necessary for the granting of regulatory permits in Canada and Cuba for the construction and operation of the expanded facilities. Under the base agreement, the continuation of the project implementation is subject to the receipt of such permits and satisfactory completion of definitive documentation and resolutions by stipulated dates as provided for therein. The Corporation and its Cuban partner have also maintained their agreement in principle that the scope of the proposed expansion would include an assessment of an additional expansion of approximately 32,000 tonnes per year, following the completion of the 16,000 tonnes expansion. However, the Corporation and its Cuban partner are not committing any capital or reserves to any such additional expansion at this time.

This expansion is an important growth initiative for both the Corporation and its Cuban partner. It has significant capital and operating advantages over greenfield nickel projects due to a large existing infrastructure covering fixed costs, proven process technology and access to a significant resource base with known metallurgical characteristics.

Coal generated record EBITDA of $72.9 million in 2004 on record revenue of $250.4 million. In the prior year, EBITDA was $67.7 million on revenue of $232.6 million. The increase in EBITDA was mainly due to operating the thermal coal assets acquired in February 2003 for twelve months in 2004 compared with ten months in 2003. Record sales of 19.3 million tonnes for the year were 1.8 million tonnes higher than in 2003 due to operating the acquired thermal coal assets for the full year as well as increased demand in export thermal coal and increased deliveries to Epcor's Genesee power plant. Capital spending in the year was $8.2 million.

Results for the fourth quarter were also improved over the prior year period on higher prices and increased volumes.

Metals had an extremely strong year in 2004 due mainly to high nickel and cobalt prices. Record EBITDA for 2004 was $210.9 million on record revenue of $456.3 million compared with EBITDA of $89.7 million on revenue of $321.1 million in 2003. Record cobalt sales were achieved in 2004 and finished nickel sales were essentially unchanged from the prior year. Capital spending for 2004 was $19.3 million. Results for the fourth quarter of 2004 were similar to the prior-year period as higher nickel and cobalt prices and higher cobalt sales volumes were offset by higher energy, raw material and maintenance costs.

Oil and Gas generated EBITDA of $158.9 million on revenue of $197.1 million in 2004 compared with EBITDA of $174.9 million on revenue of $223.1 million in 2003. The decreases in revenue and EBITDA reflected lower net production and a stronger Canadian dollar. Gross production decreased due to natural reservoir declines and reduced drilling activity during the second half of 2003. Net production decreased due to lower gross production and higher Fuel Oil No. 6 reference prices, which reduced the barrels allocated to Oil and Gas for recovery of costs under the production sharing contracts. During the year, Oil and Gas regained momentum and four drilling rigs were active by the end of the year. Capital spending for 2004 was $84.3 million. In the fourth quarter of 2004, results were down relative to 2003 as net production was 12% lower than in 2003.

Power generated EBITDA of $78.2 million during 2004 compared with $55.3 million in 2003, as 2004 reflected a full year of consolidated results compared with nine months in 2003. Approximately 1.6 million megawatt hours of electricity was generated during the year, an increase of 0.4 million megawatt hours over the last nine months of the prior year. Capital spending in 2004 was $29.4 million, most of which was incurred in the fourth quarter in respect of the 85 megawatt expansion, which commenced construction in the third quarter of 2004. Earnings in the fourth quarter of 2004 declined relative to 2003 as two turbines underwent scheduled six-year mechanical inspections resulting in lower production.

Outlook

Strong nickel, cobalt, coal and oil prices and a high level of general economic activity are among the key factors that will continue to affect financial results for 2005. Recognizing that commodity prices are cyclical, early indications are that prices will remain at the higher end of the cycle throughout 2005.

Production levels in 2005 are expected to remain at close to 2004 levels for Metals and Power, while Coal production will increase at the Genesee and Coal Valley mines. Oil is also expected to increase gross and net production in 2005 as a result of higher exploration and development drilling levels. Total capital spending in 2005 is expected to be approximately $300 million. This includes $98 million for the Power expansion, $11 million for the Coal expansion, and $8 million for basic engineering and drilling related to the Metals expansion. Pending final approval for the Metals expansion, which is subject to a definitive funding agreement and confirmation of 25 years of limonite reserves, Sherritt will enter into commitments for additional estimated expenditures of $63 million in 2005. The outlook for each of Sherritt's business units follows:

Coal

Sherritt's share of coal production is expected to increase by 5% to 20 million tonnes in 2005 as a result of expansions at the Coal Valley and Genesee mines. The 450 megawatt expansion of Epcor's Genesee power plant, commissioned in early 2005, will require approximately 0.6 million additional tonnes of coal in 2005. The $38 million expansion project at the Coal Valley mine involves doubling the coal wash plant capacity and acquiring additional mining equipment. In 2005, approximately $9 million in mining equipment will be lease financed, with an additional $11 million in expenditures being funded from cash flow. The remaining equipment required for the project will be acquired in 2006, mostly through lease financing. The mine is scheduled to be at full capacity by the second quarter of 2006. The expansion at Coal Valley will produce an additional 0.5 million tonnes in 2005 and a further 0.5 million tonnes in 2006 most of which will be sold in export markets.

Capital expenditures are expected to be approximately $24 million in 2005. In addition, equipment valued at approximately $13 million is expected to be acquired through capital leases.

Metals

In 2005, finished nickel and finished cobalt production is expected to be close to 2004 record levels. Nickel prices are anticipated to remain strong in 2005 relative to historical prices as market fundamentals continue to be positive, and rising demand for high-grade cobalt is expected to strengthen cobalt prices through 2005 relative to the end of 2004. The benefits of strong nickel and cobalt prices are expected to be partly offset by continued high energy and raw materials prices and a strong Canadian dollar. Capital expenditures for Metals are expected to be approximately $33 million in 2005 and will focus on sustaining reliable plant operations and achieving operational efficiencies. In addition, an estimated $8 million is expected to be incurred for basic engineering and drilling related to the Metals expansion, and Sherritt will enter into commitments for additional estimated expenditures of $63 million in 2005 upon final approval for the Metals expansion.

Oil and Gas

Sherritt expects that fuel oil reference prices will, on average, be comparable to average prices in 2004. Capital expenditures for Oil and Gas are expected to increase to approximately $128 million in 2005. In addition to stepping up its development drilling activity in Cuba, Sherritt intends to drill appraisal wells on the recent discovery at Santa Cruz and to drill several other exploration prospects during 2005. These prospects were identified from major seismic programs acquired and interpreted over the past two years. Sherritt expects that its development drilling program will result in modest increases in gross production volumes, offsetting natural production declines, with the potential for further increases in production volumes if additional fields are discovered through the exploration drilling program. Sherritt expects that net oil production in 2005 will be slightly higher than in 2004, primarily due to recovery of costs from the expanded capital program, assuming that fuel oil prices and production from new wells are in line with expectations.

Power

Construction work is proceeding on schedule on the first stage of the expansion project. Commissioning is currently scheduled for the fourth quarter of 2005. With the finalization of equipment to be used in the expansion, the capacity is now expected to be 85 megawatts, a 5 megawatt increase over the previous estimate. The Corporation is committed to an additional 75 megawatt expansion subject to the confirmation and dedication of sufficient gas reserves from oil fields in Cuba.

Production from the expansion in 2005 will be offset by scheduled maintenance at existing facilities. Total expected production of 1.6 million megawatt hours will be basically unchanged

from 2004. Capital expenditures in 2005 are estimated to be $102 million with $98 million relating to the expansion.

Other Businesses

The soybean-based food processing business will pursue opportunities to maximize consumption of its products in Cuba by continuing to improve production facilities and optimizing the distribution of its products. Production levels are expected to increase by 20% in 2005. Capital expenditures for 2005 are estimated to be $1 million.

Summary Financial Results by Segment (unaudited) [1]

Three months ended December 31, 2004

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other[4]	Corporate	Consolidated
Revenue	$ 65.4	$107.6	$ 45.1	$ 23.5	$ 20.3	$ -	$ 261.9
Operating, selling, general and administrative	45.1	68.7	10.0	8.7	19.6	9.6	161.7
EBITDA[1]	20.3	38.9	35.1	14.8	0.7	(9.6)	100.2
Depletion, amortization and accretion	16.3	5.2	21.7	4.3	0.8	0.7	49.0
Income on redemption of promissory note	(19.7)	-	-	-	-	-	(19.7)
Operating earnings (loss) from continuing operations[1]	23.7	33.7	13.4	10.5	(0.1)	(10.3)	70.9
Share of earnings of equity investments							0.2
Net financing expense							(22.8)
Earnings from continuing operations before income taxes and non-controlling interests							48.3
Capital expenditures	$ 4.1	$ 10.0	$ 23.3	$ 19.2	$ 0.4	$ 1.1	$ 58.1

Three months ended December 31, 2003 [3]

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other[4]	Corporate	Consolidated
Revenue	$ 60.3	$ 99.6	$ 51.2	$ 27.1	$ 12.2	$ -	$ 250.4
Operating, selling, general and administrative	46.6	61.2	12.1	9.8	12.2	11.2	153.1
Add items excluded from EBITDA[2]	1.6	-	-	-	-	-	1.6
EBITDA [1]	15.3	38.4	39.1	17.3	-	(11.2)	98.9
Depletion, amortization and accretion	15.6	5.1	19.2	3.4	0.5	0.9	44.7
Income on redemption of promissory note							
Items excluded from EBITDA[2]:							
Inventory write-down	1.0	-	-	-	-	-	1.0
Other write-downs	0.6	-	-	-	-	-	0.6
Operating earnings (loss) from continuing operations[1]	(1.9)	33.3	19.9	13.9	(0.5)	(12.1)	52.6
Share of earnings of equity investments							0.1
Net financing expense							(23.2)
Earnings from continuing operations before income taxes and non-controlling interests							29.5
Capital expenditures	$ 6.6	$ 7.3	$ 14.8	$ 1.0	$ -	$ -	$ 29.7

(1) This table presents EBITDA and operating earnings by segment and reconciles these non-GAAP measures to earnings from continuing operations before income taxes. Reference should be made to the Canadian GAAP Reconciliation Table later in this release for a description of EBITDA and operating earnings.

(2) Items included in revenue or operating, selling, general and administrative costs that are not indicative of ongoing operations.

(3) Restated – see note 2 of the Interim Consolidated Financial Statements.

(4) Other includes the results of the soybean-based food processing business.

Key Operating Statistics

Three months ended December 31, 2004

		Coal		Metals		Oil and Gas		Power
Sales Volumes (Sherritt's share)								
Thermal coal (000's of tonnes)[1]		4,959						
Nickel (000's of pounds) [1]				9,240				
Cobalt (000's of pounds) [1]				1,011				
Fertilizers (tonnes)				53,550				
Net oil – Cuba (bbls per day)[2]						18,544		
Net oil – Spain (bbls per day)						597		
Electricity generation (000's of MWh) [1]								382
Realized Prices								
Thermal coal (per tonne)	$	13.19						
Nickel (per pound)			$	7.60				
Cobalt (per pound)				22.33				
Oil – Cuba (per bbl)					$	24.62		
Oil – Spain (per bbl)						52.81		
Power (per MWh)							$	54.34
Average Reference Prices								
Nickel (U.S.$ per pound)			$	6.39				
Cobalt (U.S.$ per pound)				18.38				
U.S. Gulf Coast Fuel Oil No. 6 (U.S.$ per bbl)					$	24.87		

Three months ended December 31, 2003

		Coal		Metals		Oil and Gas		Power
Sales Volumes (Sherritt's share)								
Thermal coal (000's of tonnes)[1]		4,773						
Nickel (000's of pounds) [1]				9,466				
Cobalt (000's of pounds) [1]				857				
Fertilizers (tonnes)				60,763				
Net oil – Cuba (bbls per day)[2]						20,508		
Net oil – Spain (bbls per day)						1,137		
Electricity generation (000's of MWh) [1]								432
Realized Prices								
Thermal coal (per tonne)	$	12.72						
Nickel (per pound)			$	7.21				
Cobalt (per pound)				16.74				
Oil – Cuba (per bbl)					$	25.22		
Oil – Spain (per bbl)						34.57		
Power (per MWh)							$	58.59
Average Reference Prices								
Nickel (U.S.$ per pound)			$	5.62				
Cobalt (U.S.$ per pound)				12.25				
U.S. Gulf Coast Fuel Oil No. 6 (U.S.$ per bbl)					$	23.40		

[1] Represents the Corporation's respective 50% share of Luscar Energy Partnership (Coal), 50% share of the Metals Enterprise (Metals) and 100% of Energas S.A. (Power), which includes the two-thirds non-controlling interest share in Energas S.A.

[2] Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban government in accordance with participation and production-sharing arrangements. Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban government is considered to be a royalty interest.

Summary Financial Results by Segment (audited) [1]

Year ended December 31, 2004

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other[5]	Corporate	Consolidated
Revenue	$250.4	$456.3	$197.1	$104.0	$ 78.2	$ -	$1,086.0
Operating, selling, general and administrative	177.5	245.4	38.2	25.8	71.7	36.7	595.3
EBITDA[1]	72.9	210.9	158.9	78.2	6.5	(36.7)	490.7
Depletion, amortization and accretion	58.7	20.3	83.0	17.3	2.3	3.8	185.4
Income on redemption of promissory note	(19.7)	-	-	-	-	-	(19.7)
Operating earnings (loss) from continuing operations[1]	33.9	190.6	75.9	60.9	4.2	(40.5)	325.0
Share of earnings of equity investments							0.6
Net financing expense							(68.0)
Earnings from continuing operations before income taxes and non-controlling interests							257.6
Capital expenditures	$ 8.2	$ 19.3	$ 84.3	$ 29.4	$ 0.4	$ 1.8	$ 143.4

Year ended December 31, 2003 [6]

(millions of Canadian dollars)	Coal[3]	Metals	Oil and Gas	Power[4]	Other[5]	Corporate	Consolidated
Revenue	$232.6	$321.1	$223.1	$ 78.6	$ 47.3	$ -	$902.7
Operating, selling, general and administrative	178.9	235.0	49.2	23.3	44.6	27.7	558.7
Add items excluded from EBITDA[2]	14.0	3.6	1.0	-	-	-	18.6
EBITDA [1]	67.7	89.7	174.9	55.3	2.7	(27.7)	362.6
Depletion, amortization and accretion	56.2	19.8	82.2	12.1	5.2	3.5	179.0
Income on redemption of promissory note	(10.7)	-	-	-	-	-	(10.7)
Items excluded from EBITDA[2]:							
Inventory write-down	5.2	-	-	-	-	-	5.2
Other write-downs	1.3	-	-	-	-	-	1.3
Feasibility studies write-off	-	3.6	-	-	-	-	3.6
Severance	7.5	-	1.0	-	-	-	8.5
Operating earnings (loss) from continuing operations[1]	8.2	66.3	91.7	43.2	(2.5)	(31.2)	175.7
Write-down of Minara Resources Limited							(4.0)
Share of loss of equity investments							(0.1)
Net financing expense							(61.4)
Earnings from continuing operations before income taxes and non-controlling interests							110.2
Capital expenditures	$ 13.7	$ 17.1	$ 60.1	$ 6.9	$ 3.8	$ 0.8	$102.4

(1) This table presents EBITDA and operating earnings by segment and reconciles these non-GAAP measures to earnings from continuing operations before income taxes. Reference should be made to the Canadian GAAP Reconciliation Table later in this release for a description of EBITDA and operating earnings.
(2) Items included in revenue or operating, selling, general and administrative costs that are not indicative of ongoing operations.
(3) Coal capital expenditures include amounts relating to discontinued operations.
(4) Power operating earnings have been reported as a separate segment since March 28, 2003.
(5) Other includes the results of the soybean-based food processing business. Prior to June 30, 2003, Other also included results of the telecommunications business which was accounted for on an equity basis between June 30, 2003 and August 31, 2003 at which time it was sold.
(6) Restated – see note 2 of the Interim Consolidated Financial Statements.

Key Operating Statistics

Year ended December 31, 2004

	Coal	Metals	Oil and Gas	Power[3]
Sales Volumes (Sherritt's share)				
Thermal coal (000's of tonnes)[1]	19,265			
Nickel (000's of pounds)[1]		34,916		
Cobalt (000's of pounds)[1]		3,653		
Fertilizers (tonnes)		220,617		
Net oil – Cuba (bbls per day)[2]			19,389	
Net oil – Spain (bbls per day)			701	
Electricity generation (000's of MWh)[1]				1,630
Realized Prices				
Thermal coal (per tonne)	$ 13.00			
Nickel (per pound)		$ 8.05		
Cobalt (per pound)		30.53		
Oil – Cuba (per bbl)			$ 25.98	
Oil – Spain (per bbl)			47.89	
Power (per MWh)				$ 58.00
Average Reference Prices				
Nickel (U.S.$ per pound)		$ 6.28		
Cobalt (U.S.$ per pound)		22.80		
U.S. Gulf Coast Fuel Oil No. 6 (U.S.$ per bbl)			$ 24.47	

Year ended December 31, 2003

	Coal	Metals	Oil and Gas	Power[3]
Sales Volumes (Sherritt's share)				
Thermal coal (000's of tonnes)[1]	17,532			
Nickel (000's of pounds)[1]		35,088		
Cobalt (000's of pounds)[1]		3,488		
Fertilizers (tonnes)		254,639		
Net oil – Cuba (bbls per day)[2]			21,203	
Net oil – Spain (bbls per day)			867	
Electricity generation (000's of MWh)[1]				1,214
Realized Prices				
Thermal coal (per tonne)	$ 13.27			
Nickel (per pound)		$ 5.95		
Cobalt (per pound)		13.50		
Oil – Cuba (per bbl)			$ 27.36	
Oil – Spain (per bbl)			35.05	
Power (per MWh)				$ 60.56
Average Reference Prices				
Nickel (U.S.$ per pound)		$ 4.37		
Cobalt (U.S.$ per pound)		9.69		
U.S. Gulf Coast Fuel Oil No. 6 (U.S.$ per bbl)			$ 23.79	

(1) Represents the Corporation's respective 50% share of Luscar Energy Partnership (Coal), 50% share of the Metals Enterprise (Metals) and 100% share of the Energas S.A. (Power), which includes the two-thirds non-controlling interest share in Energas S.A.

(2) Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban government in accordance with participation and production-sharing arrangements. Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban government is considered to be a royalty interest.

(3) Power results have been reported as an operating segment since March 28, 2003.

Supplementary Financial Information

Canadian GAAP Reconciliation Table

The Corporation discloses EBITDA in order to provide an indication of revenue less cash operating expenses. Operating earnings is a measure used by Sherritt to evaluate operating performance of its businesses as it eliminates interest charges, which are a function of the particular financing structure for the business, and certain other charges as presented in the following table. Net earnings excluding certain items presents net earnings, as reported, adjusted for certain other amounts as presented in the following table, that are not indicative of ongoing operations.

EBITDA, operating earnings, net earnings excluding certain items and cash from operations do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and are, therefore, unlikely to be comparable with similar measures presented by other issuers.

The Summary Financial Results by Segment presented previously in this document reconcile EBITDA and operating earnings to earnings from continuing operations before taxes. The following Canadian GAAP Reconciliation Table reconciles earnings from continuing operations, excluding certain items to Canadian GAAP earnings from continuing operations, as reported.

	Three months ended December 31		Year ended December 31	
(millions of Canadian dollars, except per share amounts)	2004	2003 (restated)	2004	2003 (restated)
Canadian GAAP earnings from continuing operations	$ 22.7	$ 20.5	$ 157.3	$ 76.3
Income on redemption of promissory notes	(19.7)	-	(19.7)	(10.7)
Costs arising on convertible debenture settlement	4.0	-	4.0	-
Costs arising on convertible debenture exchange	-	5.3	-	5.3
Costs arising on acquisition of Power	-	1.3	-	1.3
Gain on sale of investments	(1.6)	(4.5)	(1.6)	(3.7)
Coal severance costs	-	-	-	7.5
Coal inventory and other write-downs	-	1.6	-	6.5
Metals feasibility studies write-off	-	-	-	3.6
Write-down of investment	-	-	-	4.0
Oil and Gas severance costs	-	-	-	1.0
Currency translation losses	2.3	4.1	5.7	2.1
Income tax impact of above items	7.0	(0.7)	7.8	1.9
Reduction in Canadian resource sector federal tax rates	-	-	-	(15.1)
Earnings from continuing operations, excluding certain items	$ 14.7	$ 27.6	$ 153.5	$ 80.0
Earnings from continuing operations per share, excluding certain items				
Basic	$ 0.11	$ 0.21	$ 1.17	$ 0.67
Diluted	0.10	0.17	0.88	0.60

Sherritt International Corporation is a diversified resource company involved in the production of thermal coal, nickel, cobalt, oil and electricity. Its success is built upon utilizing innovative technologies and the breadth of its financial and operational expertise to increase productivity and profitability. Sherritt continues to explore opportunities to grow its $2.6 billion asset base through expansion of its existing businesses and strategic acquisitions.

A leader in employee health and safety, Sherritt is also committed to achieving and maintaining the highest standards in environmental stewardship.

Sherritt's 131 million common shares, $200 million 6% convertible debentures and $300 million 7% convertible debentures, as at December 31, 2004, trade on the Toronto Stock Exchange under the symbols S, S.DB and S.DB.A respectively. Sherritt's $105 million of 9.875% senior unsecured debentures trade on the over-the-counter bond market.

The Corporation's fourth quarter review of consolidated results and interim consolidated financial statements can be found on the Corporation's web site at www.sherritt.com

This news release contains forward-looking statements. These forward-looking statements are not based on historic facts, but rather on Sherritt International Corporation's current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that are beyond the Corporation's ability to control or predict. Actual results and developments may differ materially from those contemplated by this news release depending on, among others, such key factors as business and economic conditions in Canada, Cuba and the principal markets for Sherritt's products.

Key factors that may result in material differences between actual results and developments and those contemplated by this news release also include the supply, demand and prices for Sherritt's products; dependence on significant customers; deliveries; production levels, production and other anticipated and unanticipated costs and expenses; energy costs; premiums or discounts realized over LME cash and other benchmark prices; interest rates; foreign exchange rates; rates of inflation; changes in tax legislation; the timing, capital costs and financing arrangements associated with development projects; the timing of the receipt of government and other approvals; political unrest or instability in the countries where Sherritt is active; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton Act; risks associated with mining, processing and exploration activities; potential imprecision of reserve estimates; market competition; developments affecting labour relations; environmental regulation and other risk factors listed from time to time in Sherritt's continuous disclosure documents such as its annual report, annual information form and management information circular.

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Sherritt International Corporation

Analysis of Consolidated Financial Results for the Quarter and Year Ended December 31, 2004

Sherritt International Corporation
Fourth Quarter Report

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Analysis of Consolidated Financial Results

In 2004, Sherritt adopted three accounting policies, based on new accounting pronouncements, which were implemented on a retroactive basis with restatement of prior years. The implementation of these accounting policies resulted in the following:

- Consolidation of a variable interest entity in Power, which was previously proportionately consolidated based on Sherritt's one-third equity interest, and consolidation of the 49% owned soybean-based food processing business, which was previously accounted for on an equity basis.
- Reclassification of separate liability and equity components of the 6% and 7% convertible debentures from equity. The liability components of both debentures are accreted to their par values over their term to maturity.
- A redetermination of asset retirement obligations to reflect a liability based on the fair value of expected retirement costs. A corresponding asset retirement cost has been added to the carrying value of the related assets. Previously, asset retirement obligations were provided for by a systematic charge if reasonably determinable.

Further description of these changes and their impact on the financial statements can be found in Note 2 to the interim consolidated financial statements.

The Corporation disposed of its metallurgical coal operations in February 2003. Consequently, the interim consolidated statements of operations present the results of these operations as discontinued operations. The following analysis focuses on continuing operations. Please refer to Note 14 of the interim consolidated financial statements for additional information regarding discontinued operations.

All amounts in this document represent Sherritt's 100% interest, except for amounts relating to Coal and Metals, which reflect the Corporation's 50% interest in these businesses, unless otherwise indicated.

Consolidated Earnings

Fourth Quarter Results

	Q4 2004	Q4 2003
Revenue	$ 261.9	$ 250.4

The increase in revenue is mainly attributable to higher coal and metals prices and higher coal, cobalt and soybean-based food products sales volumes, mitigated in part by a stronger Canadian dollar and lower production in Oil and Gas and Power.

	Q4 2004	Q4 2003
Operating costs	$ 142.2	$ 133.2
Selling costs	2.6	2.4
General and administrative costs	16.9	17.5
Operating, selling, general and administrative costs	$ 161.7	$ 153.1

Operating costs include costs of production in each of Sherritt's businesses as well as raw material costs mainly in the soybean-based food processing business and third party feed in

Metals. The increase in operating costs was due mainly to higher energy and raw material costs at Metals and increased sale volumes of soybean-based food products.

	Q4 2004	Q4 2003
Depletion, amortization and accretion	$ 49.0	$ 44.7

The current year increase was mainly due to the inclusion of results from Power for a full year in 2004 compared with nine months in 2003.

	Q4 2004	Q4 2003
Net financing expense	$ 22.8	$ 23.2

The small decrease was primarily due to higher interest income as a result of higher cash balances during the quarter, lower interest expense due to the repurchase of $100 million of 6% convertible debentures and lower foreign exchange losses. These were largely offset by a lower gain on sale of investments, a loss on the repurchase of the convertible debentures and higher provincial capital taxes.

	Q4 2004	Q4 2003
Other items	$ 19.9	$ 0.1

Income from other items is related to income on the redemption of a promissory note.

	Q4 2004	Q4 2003
Effective tax rate	44%	10%

Sherritt's effective tax rate varies depending upon the relative profitability of each of its businesses, each of which is taxed at a different rate. The higher effective tax rate for the fourth quarter of 2004 as compared to the prior year period was due mainly to a substantial portion of earnings in the quarter being attributable to profits in Metals Cuban operations, which are taxed at a high rate. The comparatively low effective tax rate for the fourth quarter of 2003 was attributable to low tax rates associated with the capital gain on the sale of investments and currency translation gains in Coal.

	Q4 2004	Q4 2003
Non-controlling interests	$ 4.4	$ 6.0

Non-controlling interests reflect the two-thirds outside interest in the results of a variable interest entity in Power.

Year Ended December 31 Results

	2004	2003
Revenue	$ 1,086.0	$ 902.7

Consolidated revenue for 2004 increased by 20% to over $1 billion. The increase was due to higher realized prices for nickel and cobalt and increased coal, cobalt, electricity and soybean product sales volumes. Results for Power reflected a full year of operations in 2004 compared with nine months in 2003, as Power was accounted for on an equity basis prior to March 31,

2003. Lower oil revenue due to lower net production and a stronger Canadian dollar partly offset the above increases.

	2004	2003
Operating costs	$ 524.6	$ 488.9
Selling costs	9.3	9.9
General and administrative costs	61.4	59.9
Operating, selling, general and administrative costs	$ 595.3	$ 558.7

The increase in operating costs was mainly due to higher input costs at Metals and increased sales volumes of soybean-based food products partly offset by lower Oil and Gas operating costs as a result of lower treatment and transportation costs and the strength of the Canadian dollar. The small increase in general and administrative costs reflected higher corporate costs due mainly to higher stock-linked compensation, as a result of an increase in the number of stock-linked compensation units and an increase in share price partly offset by lower general and administrative costs in Coal and Oil and Gas.

	2004	2003
Depletion, amortization and accretion	$ 185.4	$ 179.0

Depletion, amortization and accretion increased slightly in 2004 as the inclusion of a full year of Power results was largely offset by small decreases in other businesses.

	2004	2003
Net financing expense	$ 68.0	$ 61.4

The increase in net financing expense was mainly due to higher foreign exchange losses caused by the impact of the stronger Canadian dollar on U.S. dollar denominated balances. In addition, a loss of $2.7 million was recorded on the repurchase of $100 million of 6% convertible debentures. These amounts were partly offset by lower interest expense.

	2004	2003
Other items	$ 20.3	$ 6.6

An increase in income from other items was due to income on the redemption of a promissory note of $19.7 million in 2004 compared with income on the redemption of a separate promissory note of $10.7 million in 2003. Results for 2003 also included a write-down of an investment of $4.0 million.

	2004	2003
Effective tax rate	26%	11%

Sherritt's effective tax rate varies depending upon the relative profitability of each of its businesses, each of which is taxed at a different rate. Sherritt's effective tax rate from continuing operations of 26% in 2004 was positively impacted by reductions in the Alberta resource sector tax rate. The effective tax rate in 2003 was unusually low due to significant reductions in Canadian resource sector federal tax rates.

	2004	2003
Non-controlling interests	$ 33.2	$ 21.4

Non-controlling interests primarily reflect the two-thirds outside interest in the earnings of a variable interest entity in Power for a full year in 2004 compared with nine months in 2003.

Consolidated Cash Flow

Fourth Quarter Results

	Q4 2004	Q4 2003
Cash from operating activities before working capital changes	$ 79.9	$ 47.0
Non-cash working capital changes	40.7	19.4
Cash provided by operating activities	$ 120.6	$ 66.4

The increase in cash from operating activities before working capital changes was due mainly to higher earnings before income taxes and non-controlling interests. Cash provided by operating activities after working capital changes included a reduction in working capital due mainly to a reduction in Oil and Gas and Power receivables, lower inventories and higher accounts payables during the quarter.

	Q4 2004	Q4 2003
Capital expenditures	$ (58.1)	$ (29.7)
Other investing activities	(18.1)	57.6
Cash provided by (used for) financing activities	(113.2)	3.9

Capital expenditures in the fourth quarter mainly relate to Oil and Gas development drilling in Cuba, initial expenditures for the Power expansion and sustaining capital in the other business units. Cash used for other investing activities in the fourth quarter related to progress payments and deposits for equipment associated with the Power expansion, working capital advances to a joint venture operation and pension contributions. Cash used for financing activities in the quarter related mainly to the repurchase of $100 million of 6% convertible debentures and net repayment of a promissory note.

Year Ended December 31 Results

	2004	2003
Cash from operating activities before working capital changes	$ 352.4	$ 226.5
Non-cash working capital changes	21.0	(21.5)
Cash provided by operating activities	$ 373.4	$ 205.0

The increase in cash provided by operating activities was due mainly to higher earnings. Working capital decreased reflecting a reduction in Oil and Gas and Power receivables, partly offset by a reduction in accounts payable.

	2004	2003
Capital expenditures	$ (143.4)	$ (102.4)
Other investing activities	(21.4)	(54.8)
Cash provided by (used for) financing activities	(115.7)	93.3

Capital expenditures in 2004 mainly relate to Oil and Gas development drilling in Cuba, initial expenditures for the Power expansion and sustaining capital in the other business units. Cash used in other investing activities in 2004 related mainly to progress payments and deposits for equipment associated with the Power expansion, working capital advances to a joint venture operation and an increase in restricted cash due to increased drilling on joint-operated wells. In 2003, cash was used for the acquisition of Coal operations and the outside interests in Power offset in part by proceeds received on the sale of investments. Cash used for financing activities in 2004 was related mainly to the repurchase of $100 million of 6% convertible debentures and net repayment of a promissory note. In 2003 cash was received on the issue of common shares.

Consolidated Financial Position, Liquidity and Capital Resources

Total assets at December 31, 2004 were $2.6 billion. Cash, cash equivalents, and short-term investments and restricted cash totalled $452.0 million at December 31, 2004, an increase of $109.9 million during the year. The increase reflected the strong results at Coal, Metals and Power and was net of the repurchase of $100 million of 6% convertible debentures.

Current advances and loans receivable increased by $6.3 million to $27.7 million during 2004 as a working capital advance to Metals was increased.

Accounts receivable of $282.6 million at the end of 2004 compared with $323.4 million at the end of 2003. The decrease was primarily due to significant decreases in amounts outstanding in respect of Oil and Gas and Power receivables.

Capital assets were $1,494.7 million at December 31, 2004 compared with $1,507.4 million at December 31, 2003. Capital expenditures of $143.4 million during 2004 were offset by amortization of capital assets.

The future tax asset (including current portion) of $85.7 million at December 31, 2004 represented primarily the tax benefit of approximately $129.4 million of non-capital losses and $65.3 million of capital losses as well as accrued reclamation costs which are deducted for tax when incurred. The tax benefit of the losses has been recognized in the financial statements on the expectation that sufficient taxable income will be realized in the future to utilize these losses. The non-capital losses have been generated primarily through interest on Sherritt's convertible debentures.

Other assets were $114.3 million at December 31, 2004, compared with $125.5 million at the end of 2003. The decrease reflected partial repayment of a note receivable, reductions in long-term spare parts and equipment, the write-off of deferred items related to the repurchase of $100 million of 6% convertible debentures and amortization of various deferred assets.

Short-term debt of $44.9 million at December 31, 2004 increased by $18.0 million during the year and primarily comprised a revolving term credit facility. Accounts payable and accrued liabilities were $178.8 million at the end of 2004 compared with $192.1 million at the end of 2003. The decrease was due mainly to the timing of payments to vendors.

The future income tax liability of $203.7 million at December 31, 2004 increased slightly compared with the prior year amount. The future income tax liability does not represent a current cash tax liability, but is a result of the temporary differences between the value of capital assets for tax purposes versus accounting purposes. These temporary differences are expected to reverse over time, with a corresponding credit to the income statement. The majority of this amount relates to the future income tax liability of Coal.

Long-term debt and other liabilities (including current portion) were $781.9 million at the end of 2004 compared with $903.7 million at the end of 2003. The decrease is attributable to the repurchase of $100 million of 6% convertible debentures and the redemption of a promissory note, net of a related sinking fund.

The increase in non-controlling interests reflects third party interests in the net earnings of a variable interest entity in Power.

Cash generated from operations and cash on hand are expected to be sufficient to finance ongoing operations and the expansion of Coal. Other expansions or growth opportunities will be financed through a combination of cash from operations, cash on hand and external financing to the extent necessary.

In June 2004, Coal reached an agreement with Fording Inc., Elk Valley Coal Partnership, and Consol Energy Inc., settling the majority of issues that had previously been outstanding related to the transfer of the metallurgical coal assets to Fording Canadian Coal Trust effective February 28, 2003. As a result of the settlement agreement, Sherritt’s 2004 earnings from discontinued operations include a gain of $2.5 million and an income tax recovery of $0.2 million. Also, as a result of the transfer of the reclamation liability for the Luscar mine to Elk Valley Coal Partnership, the Coal business was able to reduce its reclamation bonding requirements by $3.2 million.

During 2004, $100 million par value of 6% convertible debentures were repurchased for $110.4 million, including costs related to the transaction. The 6% convertible debentures were due in 2006 and are convertible at the option of the holder into common shares at a conversion price of $8.775 per share. In January 2005, Sherritt issued a redemption notice for the remaining $200 million 6% debentures. The debentures will be redeemed for common shares on March 9, 2005 at the rate of 106.49 shares per $1,000 principal amount of 6% convertible debentures. Debentureholders have the right to convert their 6% convertible debentures for 113.96 common shares per $1,000 principal amount of debentures up until March 8, 2005. In early 2005, Sherritt also distributed an issuer bid for the repurchase of up to 10 million common shares at a price of $10 per share. The issuer bid is open until March 11, 2005.

During the year, Coal entered into capital leases for equipment totalling $11.9 million as part of long-term mine support equipment agreements, which supports an equipment replacement program as part of a plan to reduce maintenance costs and increase equipment utilization. In addition, Metals entered into capital leases totalling $1.6 million during the year.

During the year, Sherritt entered into an agreement that allows for a part of the Moa Nickel S.A. income tax, royalty and labour tax payments, which are assigned to an international financial institution, to be redirected to Sherritt and applied against receivables from Cuban government agencies. The amount redirected to Sherritt is the excess of the international financial institution's minimum quarterly requirements. Sherritt received $85.9 million under this agreement during the year. In the event that the amounts received by the financial institution do not meet minimum payment requirements, the amounts received by Sherritt must be refunded to make up the shortfall. The refund is limited to the total amount received by Sherritt in the particular calendar year. Should a refund occur, amounts receivable from the Cuban agencies would increase by a similar amount. The amounts received by the financial institution for the year were in excess of the minimum payment requirements for 2004 and as a result, the Corporation is not required to refund any amounts received under this agreement during 2004.

Review of Operations

Coal

The Coal business is focused on innovative opportunities to increase production and the implementation of "world's best" mining practices. Sherritt's share of the expected benefit of these initiatives is a $30 million annual increase in cash flow from operations by the end of 2007. Improvements are being realized in safety performance, productivity and operating costs. During 2004 Coal achieved 1.5 million man-hours (176 days) without a safety incident.

Sherritt's share of coal production in 2004, a record of 19 million tonnes, is expected to increase to 20 million tonnes in 2005 as a result of expansions at the Coal Valley and Genesee mines. The 450 megawatt expansion at the Genesee power plant, which commenced operation in late 2004, will require approximately 0.6 million additional tonnes of coal in 2005. Early in 2005, Coal announced the expansion of the Coal Valley mine by 1.0 million tonnes per year, doubling its coal production capacity. The mine is scheduled to be at full capacity by the second quarter of 2006. The $38 million project involves doubling the coal wash plant capacity and adding additional mining equipment. The expansion at Coal Valley is expected to produce an additional 0.5 million tonnes in 2005 and a further 0.5 million tonnes in 2006.

Capital expenditures for the Coal business in 2004 were $8.2 million, with an additional $11.9 million in capital leases. Coal also entered into operating leases for equipment with a value of $10.5 million during 2004. These expenditures are part of a plan to modernize Coal's operating equipment and have helped Coal to achieve the goals of the "world's best" mining practices initiative. The December 2004 maturity of the remaining promissory note resulted in $19.7 million of additional pre-tax earnings in the fourth quarter of 2004.

Coal results reflect continuing operations only. The results related to metallurgical coal operations, which were disposed of on February 28, 2003, are presented separately as discontinued operations.

Fourth Quarter Results

	Q4 2004	Q4 2003
Revenue	$ 65.4	$ 60.3
Operating costs	(42.5)	(45.1)
Selling costs	(0.2)	(0.2)
General and administrative costs	(2.4)	(1.3)
Items excluded from EBITDA [1]	-	1.6
EBITDA	20.3	15.3
Depletion, amortization and accretion	(16.3)	(15.6)
Income on redemption of promissory note	19.7	-
Items excluded from EBITDA [1]	-	(1.6)
Operating earnings (loss) [1]	$ 23.7	$ (1.9)

(1) Items excluded from EBITDA included severance, an inventory write-down and other adjustments or write-downs. These amounts are included in the determination of operating earnings. See Canadian GAAP reconciliation table later in this Analysis of Consolidated Financial Results.

Coal achieved record EBITDA during the fourth quarter of 2004; 7% higher than the record set in the second quarter of 2004. EBITDA increased, compared to 2003, primarily as a result of higher prices and sales volumes and lower operating costs due to gains on the settlement of asset retirement obligations and the suspension of operations at the Obed mine in the fourth quarter of 2003. The maturity of the remaining promissory note in December 2004 resulted in a $19.7 million increase in operating earnings.

	Q4 2004	Q4 2003
Realized prices ($/tonne)	$ 13.19	$ 12.72
Sales volumes (millions of tonnes)	5.0	4.8
Production volumes (millions of tonnes)	5.0	4.6

Average realized prices for thermal coal sales during the quarter were higher than average realized prices during the same quarter last year as a result of strong export thermal coal prices in 2004. Slightly higher sales volumes resulted from increased production volumes at the Coal Valley and Genesee mines.

	Q4 2004	Q4 2003
Capital expenditures	$ 4.1	$ 6.6

The decrease in capital expenditures reflected fourth quarter 2003 spending on the Char plant expansion. Capital leases for equipment, totalling $4.7 million were entered into during the quarter and recorded as additions to capital assets and long-term debt.

Year Ended December 31 Results

	2004	2003
Revenue	$ 250.4	$ 232.6
Operating costs	(168.4)	(166.8)
Selling costs	(0.6)	(0.7)
General and administrative costs	(8.5)	(11.4)
Items excluded from EBITDA [(1)]	-	14.0
EBITDA	72.9	67.7
Depletion, amortization and accretion	(58.7)	(56.2)
Income on redemption of promissory note	19.7	10.7
Items excluded from EBITDA [(1)]	-	(14.0)
Operating earnings [(1)]	$ 33.9	$ 8.2

(1) Items excluded from EBITDA included severance, an inventory write-down and other adjustments or write-downs. These amounts are included in the determination of operating earnings. See Canadian GAAP reconciliation table later in this Analysis of Consolidated Financial Results.

Record EBITDA in 2004 was mainly the result of operating certain assets for a full year in 2004 while the prior year included results for the ten months following the acquisition of these assets on February 28. Operating costs, which mainly comprise coal production costs, increased in 2004 as the operation of certain assets for a full year compared with 10 months in 2003 was largely offset by a decrease in costs related to the Obed mine which suspended operation in the fourth quarter of 2003. General and administrative costs decreased in 2004 due mainly to severance costs incurred in 2003.

Record operating earnings in 2004 included a gain on the redemption of a promissory note net of a related sinking fund. Operating earnings in 2003 also included a gain on the redemption of a promissory note net of a related sinking fund and a number of items not indicative of ongoing operations including severance costs, inventory write-downs and other adjustments and write-downs.

	2004	2003
Realized prices ($/tonne)	$ 13.00	$ 13.27
Sales volumes (millions of tonnes)	19.3	17.5
Production volumes (millions of tonnes)	19.0	17.4

Average realized prices for thermal coal sales in 2004 were lower than the prior year period due to the full year inclusion of contract mining revenue, which on a per tonne basis is lower than non-contract mining operations, compared with ten months in 2003. This was partially offset by the inclusion of twelve months of royalty revenue in 2004 compared with ten months in 2003 and increased export thermal coal shipments.

The increase in sales volumes was largely a result of the twelve months of operations of certain coal assets in 2004 compared with ten months in the prior year. Shipments from Coal's operations that were not part of the 2003 acquisition increased due to improvements in demand in the export thermal coal market compared with 2003. In addition, the Genesee power plant added 450 megawatts of capacity in late 2004 requiring additional shipments during the fourth quarter of 2004.

	2004	2003
Capital expenditures	$ 8.2	$ 13.7

Capital expenditures in 2004 were mainly in respect of sustaining capital. Capital expenditures in 2003 included spending on a new business systems implementation and the Char plant expansion. Capital leases for equipment, totalling $11.9 million, were entered into during 2004 and recorded as additions to capital assets and long-term debt.

Metals

The Metals business continues to focus on maintaining low cost production of finished nickel and cobalt from the development of Cuba's extensive nickel resources. The Metals business mines, processes, and refines nickel and cobalt for sale worldwide with mining operations and associated processing facilities in Moa, Cuba; refining facilities in Fort Saskatchewan, Alberta; and international marketing and sales operations.

In the year ended December 31, 2004, Metals generated record revenues and record operating earnings, and achieved annual production records for nickel and cobalt contained in mixed sulphides from the Moa mining and processing facilities and for finished nickel and cobalt production from the Fort Saskatchewan refinery. A new cobalt sales volume record was also established. Nickel and cobalt prices were strong in 2004 and are expected to remain strong in 2005 as market fundamentals continue to be positive. The benefits of strong nickel and cobalt prices were partly offset by continued high energy and raw materials costs and a strong Canadian dollar. Capital expenditures for the Metals business were approximately $19.3 million in 2004, which primarily focused on improving operational efficiency and maintaining process reliability.

On March 3, 2005, the Corporation and its Cuban partner executed a base agreement providing for an expansion of annual production by 16,000 tonnes of nickel plus cobalt in mixed sulphides, to a total of 49,000 tonnes. The Corporation and its Cuban partner have agreed to equally fund the projected capital requirements, up to U.S.$450 million. In addition, the Cuban partner has agreed to ensure the granting of concessions for ore reserves for 25 years of production at the expanded rate of production. Construction is anticipated to begin in 2005 with project commissioning expected by the end of 2007. Basic engineering and a drilling program to delineate ore reserves in the concessions already granted have begun.

The Corporation expects to fund or enter into commitments to fund projected capital expenditures of approximately U.S.$50 million in 2005, with the balance over 2006 and 2007. During the course of basic engineering, the Corporation and its Cuban partner will file certain detailed engineering information necessary for the granting of regulatory permits in Canada and Cuba for the construction and operation of the expanded facilities. Under the base agreement, the continuation of the project implementation is subject to the receipt of such permits and satisfactory completion of definitive documentation and resolutions by stipulated dates as provided for therein. The Corporation and its Cuban partner have also maintained their agreement in principle that the scope of the proposed expansion would include an assessment of an additional expansion of approximately 32,000 tonnes per year, following the completion of the 16,000 tonnes expansion. However, the Corporation and its Cuban partner are not committing any capital or reserves to any such additional expansion at this time.

In 1994, the Cuban government granted the Moa mining and processing facilities a grace period to comply with Cuban environmental legislation. During the grace period, environmental issues at Moa were addressed on an ongoing basis and numerous upgrades were implemented. The grace period expired on November 30, 2004. A ten-year environmental operating standard was approved by the Cuban regulatory authorities and came into effect on December 1, 2004. The operating standard requires monitoring and reporting of air quality, wastewater, groundwater and soil conditions, surface water and potable water quality. It incorporates emission limits and ongoing emission reduction initiatives modeled after Canadian requirements. Obligations under the operating standard are not expected to have a significant impact on operating costs or capital expenditures.

Fourth Quarter Results

	Q4 2004	Q4 2003
Revenue	$ 107.6	$ 99.6
Operating costs	(65.6)	(58.3)
Selling costs	(2.3)	(2.2)
General and administrative costs	(0.8)	(0.7)
EBITDA	38.9	38.4
Depletion, amortization and accretion	(5.2)	(5.1)
Operating earnings	$ 33.7	$ 33.3

Record revenues, EBITDA and operating earnings in 2004 were largely due to higher nickel and cobalt prices and higher finished cobalt sales volumes, partly offset by a stronger Canadian dollar and higher operating costs due mainly to higher maintenance, energy and raw material costs.

Prices	Q4 2004	Q4 2003
Nickel – realized ($/lb)	$ 7.60	$ 7.21
Cobalt – realized ($/lb)	22.33	16.74
Nickel – reference (U.S.$/lb)	6.39	5.62
Cobalt – reference (U.S.$/lb)	18.38	12.25

For nickel, continuing strong demand and lower LME inventories relative to the same period last year contributed to the higher prices. The significantly higher cobalt price was primarily a result of improved cobalt market fundamentals relative to the same period last year.

Production (tonnes)	Q4 2004	Q4 2003
Mixed sulphides	4,253	3,857
Finished nickel	3,794	3,614
Finished cobalt	419	344

Increased mixed sulphides production in the quarter relative to the same period last year reflected a more stable operation since the completion of maintenance activities during the first quarter of 2004, which addressed issues that impacted production in the fourth quarter of 2003. Higher finished nickel and cobalt production volumes in the fourth quarter were a result of process improvements in the leach plant and stable refining operations.

Sales (thousands of pounds)	Q4 2004	Q4 2003
Finished nickel	9,240	9,466
Finished cobalt	1,011	857

Sales volumes were higher than production volumes, with quarterly cobalt sales volumes at record levels.

	Q4 2004	Q4 2003
Capital expenditures	$ 10.0	$ 7.3

Capital expenditures in the fourth quarter of 2004 were primarily directed towards sustaining and upgrading the facilities at both Moa and Fort Saskatchewan, combined with various environmental initiatives.

	Q4 2004	Q4 2003
Fertilizer sales (tonnes)	53,550	60,763
Revenue	$ 13.8	$ 16.5
Operating earnings (loss)	(1.0)	0.7

The decrease in earnings in the fourth quarter of 2004 from the fertilizer operations was primarily due to reduced sales volumes. Fertilizer sales are seasonal with the majority of sales occurring in the spring and fall. Sales volumes for the fourth quarter were lower than for the same period in 2003 mostly due to weather conditions in western Canada. Depreciation expense for the quarter for the fertilizer operations was $0.6 million, similar to the fourth quarter of 2003.

Year Ended December 31 Results

	2004	2003
Revenue	$ 456.3	$ 321.1
Operating costs	(235.1)	(224.6)
Selling costs	(8.6)	(8.5)
General and administrative costs	(1.7)	(1.9)
Items excluded from EBITDA [(1)]	-	3.6
EBITDA	210.9	89.7
Depletion, amortization and accretion	(20.3)	(19.8)
Items excluded from EBITDA [(1)]	-	(3.6)
Operating earnings [(1)]	$ 190.6	$ 66.3

(1) Items excluded from EBITDA in 2003 included the write-off of a feasibility study. This amount is included in the determination of operating earnings. See Canadian GAAP reconciliation table later in this Analysis of Consolidated Financial Results.

Record revenues, EBITDA and operating earnings in 2004 were largely due to higher nickel and cobalt prices and higher finished cobalt sales volumes, partly offset by higher operating costs and a stronger Canadian dollar. Operating costs, which include production and refining costs and third party feed, increased due mainly to higher maintenance, energy and raw material costs.

Prices	2004	2003
Nickel – realized ($/lb)	$ 8.05	$ 5.95
Cobalt – realized ($/lb)	30.53	13.50
Nickel – reference (U.S./lb)	6.28	4.37
Cobalt – reference (U.S./lb)	22.80	9.69

For nickel, a market deficit contributed to the higher prices, reflecting continuing strong demand. The significantly higher cobalt price was primarily a result of improved cobalt market fundamentals relative to 2003.

Production (tonnes)	2004	2003
Mixed sulphides	16,767	16,021
Finished nickel	15,894	15,553
Finished cobalt	1,663	1,571

Production records were established for mixed sulphides, finished nickel and finished cobalt in 2004 as a result of stable plant operations, successful maintenance activities and process improvements implemented during the year.

Sales (thousands of pounds)	2004	2003
Finished nickel	34,916	35,088
Finished cobalt	3,653	3,488

Record sales volumes were realized in 2004 for finished cobalt due to record production volumes and a reduction in finished product inventory. Nickel sales volumes in 2004 were slightly below the record volume sold in 2003.

	2004	2003
Capital expenditures	$ 19.3	$ 17.1

Capital expenditures in 2004 were primarily directed towards sustaining and upgrading the facilities at both Moa and Fort Saskatchewan, combined with various environmental initiatives.

	2004	2003
Fertilizer sales (tonnes)	220,617	254,639
Revenue	$ 60.6	$ 63.7
Operating earnings (loss)	5.1	(0.5)

For the year ended December 31, 2004, fertilizer operating earnings increased compared to 2003, primarily due to higher fertilizer prices, partly offset by lower fertilizer sales volumes. Depreciation expense during 2004 for the fertilizer operations was $2.3 million compared to $2.0 million in 2003. Sales volumes for 2004 were lower than 2003, largely due to the weather impact on fall sales and the depletion of accumulated ammonium sulphate inventories in 2003, which reduced product availability in 2004.

Oil and Gas

Oil and Gas is focused on oil production from near-shore oil deposits in Cuba, which are explored and developed from land-based drilling locations using specialized skills in fold and thrust belt geology and directional drilling.

Oil and Gas expects to increase its capital expenditure program to approximately $128 million in 2005, provided that oil prices and payments from the Cuban state continue to generate sufficient cash flow to fund the proposed capital expenditures. In addition to increasing its development drilling activity, Sherritt intends to drill appraisal wells on the recent discovery at Santa Cruz and to drill several other exploration prospects in Cuba. These prospects were identified from major seismic programs acquired and interpreted over the past two years. Sherritt expects that its development drilling program will result in modest increases in gross production volumes, offsetting natural production declines, with the potential for further increases in production volumes if new fields are discovered through the exploration drilling program. Based on planned development drilling for 2005, gross operated oil production is expected to increase to 44,500 barrels per day. Sherritt expects that net oil production will increase to 21,700 barrels per day, primarily due to recovery of costs from the expanded capital program, assuming that fuel oil prices and gross operated production are in line with expectations.

Fuel oil reference prices for Sherritt's production in Cuba varied significantly during the fourth quarter of 2004. Sherritt expects that fuel oil reference prices will, on average, be comparable to average 2004 prices with more moderate price fluctuations than during the fourth quarter.

Fourth Quarter Results

	Q4 2004	Q4 2003
Revenue	$ 45.1	$ 51.2
Operating costs	(6.6)	(8.7)
General and administrative costs	(3.4)	(3.4)
EBITDA	35.1	39.1
Depletion, amortization and accretion	(21.7)	(19.2)
Operating earnings	$ 13.4	$ 19.9

Revenue decreased in 2004 due to lower net oil production volumes and the strength of the Canadian dollar, which resulted in lower net realized oil prices even though U.S. dollar reference prices increased year over year. Operating costs for the production of oil and gas decreased in the fourth quarter of 2004 due to improved efficiency of operations and lower production levels.

	Q4 2004	Q4 2003
Realized prices $/barrel (Cuba)	$ 24.62	$ 25.22
Reference price – Fuel Oil No. 6 (U.S.$/barrel)	24.87	23.40

Oil and Gas sells all heavy oil produced in Cuba to agencies of the Cuban government, generally at selling prices based on 79% to 83% of the Gulf Coast Fuel Oil No. 6 reference price. The reference price increased steadily over the first three quarters before spiking to U.S.$32.50 per barrel during the hurricane season, after which the reference price dropped

sharply to U.S.$16.00 before recovering to U.S.$24.50 at the end of December and to U.S.$26.00 in January 2005. The Canadian dollar strengthened significantly over prior periods, more than offsetting the impact of higher reference prices.

	Q4 2004	Q4 2003
Gross oil production in Cuba (bopd)		
Operated	39,778	44,225
Working interest[(1)]	33,820	38,464
Net oil production (bopd)		
Cuba[(1)]	18,544	20,508
Spain	597	1,137
Total	19,141	21,645

(1) Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban government in accordance with participation and production-sharing arrangements. Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban government is considered to be a royalty interest.

During the year, the Corporation regained momentum in gross operated oil production volumes, which decreased due to natural reservoir declines and reduced drilling activity during the second half of 2003. During 2004, three drilling rigs were active on development drilling and a fourth rig was activated in December 2004. Initial production rates from development wells drilled at Seboruco during 2004 were excellent and approximately ten possible drilling locations may be drilled during 2005. Results from development drilling in the more mature 100% blocks were typical with the exception of three suspended wells for which workovers are being planned due to anomalously low production rates. Late in the year, production was shutdown temporarily due to hurricane activity, which did not damage any operations, and temporary downtime within the Cuban infrastructure. In addition to the lower gross operated oil production, Cuban net oil production reflects higher Fuel Oil No. 6 reference prices, which reduced the barrels allocated to the Corporation for recovery of costs under the production sharing contracts.

	Q4 2004	Q4 2003
Capital expenditures	$ 23.3	$ 14.8

Due to high initial production rates from Seboruco wells drilled in early 2004, the Corporation modified its capital program to include additional Seboruco wells and to fully utilize three drilling rigs. A fourth drilling rig was activated late in the year and the Corporation plans to further expand drilling activities in 2005 to include exploration and appraisal of several exploration prospects, including the Santa Cruz discovery. Due to higher production expected from the Seboruco and Yumuri fields, the Corporation is currently expanding the capacity of the Yumuri oil treatment facility.

Year Ended December 31 Results

	2004	2003
Revenue	$ 197.1	$ 223.1
Operating costs	(26.6)	(34.5)
General and administrative costs	(11.6)	(14.7)
Items excluded from EBITDA [(1)]	-	1.0
EBITDA	158.9	174.9
Depletion, amortization and accretion	(83.0)	(82.2)
Items excluded from EBITDA [(1)]	-	(1.0)
Operating earnings [(1)]	$ 75.9	$ 91.7

(1) Items excluded from EBITDA in 2003 included severance costs. This amount is included in the determination of operating earnings. See Canadian GAAP reconciliation table later in this Analysis of Consolidated Financial Results.

Revenue decreased in 2004 due to lower net oil production volumes and the strength of the Canadian dollar, which resulted in lower net realized oil prices even though U.S. dollar reference prices increased year over year. Operating costs in respect of oil production decreased in 2004 due to lower treatment and transportation costs and the strength of the Canadian dollar. General and administrative costs decreased in the current year mainly due to severance costs in 2003.

	2004	2003
Realized prices $/barrel (Cuba)	$ 25.98	$ 27.36
Reference price – Fuel Oil No. 6 (U.S.$/barrel)	24.47	23.79

Oil and Gas sells all heavy oil produced in Cuba to agencies of the Cuban government, generally at selling prices based on 79% to 83% of the Gulf Coast Fuel Oil No. 6 reference price. The reference price increased steadily over the first three quarters before spiking to U.S.$32.50 per barrel during the hurricane season and then settling to U.S.$24.50 by the end of December. The Canadian dollar strengthened significantly over prior periods, more than offsetting the impact of higher oil prices.

	2004	2003
Gross oil production in Cuba (bopd)		
Operated	42,072	48,805
Working interest[(1)]	36,192	41,226
Net oil production (bopd)		
Cuba[(1)]	19,389	21,203
Spain	701	867
Total	20,090	22,070

(1) Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban government in accordance with participation and production-sharing arrangements. Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban government is considered to be a royalty interest.

Gross operated oil production volumes decreased due to natural reservoir declines and reduced drilling activity during the second half of 2003. During 2004, three drilling rigs were active on development drilling and a fourth rig was activated in December 2004. Initial production rates from development wells drilled at Seboruco during 2004 were excellent and approximately ten possible drilling locations may be drilled during 2005.

Results from development drilling in the more mature 100% blocks were typical for similar wells with the exception of three suspended wells for which workovers are being planned due to anomalously low production rates. Late in the year, production was shutdown temporarily due to hurricane activity, which did not damage any operations, and downtime within the Cuban infrastructure. In addition to the lower gross operated oil production, Cuban net oil production reflects higher Fuel Oil No. 6 reference prices, which reduced the barrels allocated to Oil and Gas for recovery of costs under the production sharing contracts.

	2004	2003
Capital expenditures	$ 84.3	$ 60.1

Due to high initial production rates from Seboruco wells drilled in early 2004, the Corporation modified its capital program to include additional Seboruco wells and to fully utilize three drilling rigs. A fourth drilling rig was activated late in the year and Oil and Gas plans to further expand drilling activities in 2005 to include exploration and appraisal of several exploration prospects, including the Santa Cruz discovery. Due to higher expected production from the Seboruco and Yumuri fields, Oil and Gas is currently expanding the capacity of the Yumuri oil treatment facility.

Power

Power continues to focus on the effective utilization of energy resources in the production of electricity. Sherritt has been an advocate of the creation of power facilities that derive both an economic and environmental benefit from processing natural gas being produced and flared in Cuba. The business currently has 226 MW of power capacity in Cuba, and will be expanded by approximately 38% in 2005 to utilize additional gas availability.

Power is presented as a consolidated business segment, reflecting the acquisition of the 50.3% equity of Sherritt Power Corporation not previously owned by Sherritt in March 2003. Prior to March 28, 2003, Sherritt accounted for its investment in Sherritt Power Corporation using the equity method of accounting. Operating results for Power also reflect the consolidation of Energas operations in compliance with the recently issued Accounting Standards Board guideline on Variable Interest Entities. Results from 2003 have been restated for purposes of comparison to reflect the change in accounting guidelines.

Construction of the 85 megawatt first phase of the Power expansion commenced in the third quarter of 2004 and expenditures in respect of the expansion were approximately $35 million during the year. A further $98 million will be required in 2005 to complete this phase of the expansion. A second 75 megawatt phase, comprising a combined-cycle facility, will proceed pending the confirmation and dedication of sufficient gas reserves. Under the terms of the expansion, the Corporation will finance, construct and operate the expanded facilities, with all surplus net cash flow from the expansion being initially directed towards repayment of the financing and interest costs.

The implementation of AcG-15, Consolidation of Variable Interest Entities, in 2004 resulted in the consolidation of the Cuban power business. The guideline provides for the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. Financing provided by Sherritt for the construction of the power plants in Cuba results in Sherritt being the primary beneficiary of the Cuban power business and therefore Sherritt now accounts for this business on a consolidated basis. As a result, 2004 and the restated comparative figures for prior years reflect the consolidation of the Cuban power business. The two-thirds non-controlling interests are disclosed separately on the consolidated balance sheets and the statement of operations.

Fourth Quarter Results

	Q4 2004	Q4 2003
Revenue	$ 23.5	$ 27.1
Operating costs	(8.4)	(9.5)
General and administrative costs	(0.3)	(0.3)
EBITDA	14.8	17.3
Depletion, amortization and accretion	(4.3)	(3.4)
Operating earnings	$ 10.5	$ 13.9

The results for the fourth quarter reflect the impact on revenue of two major mechanical inspections on gas turbines at the Varadero site. Operating costs for the fourth quarter of 2004 were lower than the prior year quarter as 2003 included expenses related to the repair of a turbine rotor in Varadero.

	Q4 2004	Q4 2003
Realized prices ($/MWh)	$ 54.34	$ 58.59

The sale price of electricity is fixed by a long-term U.S. dollar contract. Variations between the fourth quarter of 2004 and 2003 mainly reflect the impact of foreign exchange fluctuations.

	Q4 2004	Q4 2003
Electricity sold [1] (MWh)	382,253	431,613

[1] Including non-controlling interest's share

Production in the fourth quarter of 2004 reflected the impact of two major mechanical inspections on gas turbines at the Varadero site.

	Q4 2004	Q4 2003
Capital expenditures	$ 19.2	$ 1.0

Capital expenditures for the fourth quarter of 2004 reflect expenditures on the expansion. In addition, expenditures of $5.8 million in respect of progress payments and deposits on equipment to be used in the expansion have been recorded in other assets.

Year Ended December 31 Results

	2004	2003 (nine months)
Revenue	$ 104.0	$ 78.6
Operating costs	(24.9)	(22.6)
General and administrative costs	(0.9)	(0.7)
EBITDA	78.2	55.3
Depletion, amortization and accretion	(17.3)	(12.1)
Operating earnings	$ 60.9	$ 43.2

The increases in revenue, operating costs and general and administrative costs reflect twelve months of results in 2004 compared with nine months in 2003. Operating costs comprise electricity production expenses, which included expenditures related to a rotor repair in 2003.

	2004	2003 (nine months)
Realized prices ($/MWh)	$ 58.00	$ 60.56

The sale price of electricity is fixed by a long-term U.S. dollar contract. Variations between 2004 and 2003 mainly reflect the stronger Canadian dollar.

	2004	2003 (nine months)
Electricity sold [1] (MWh)	1,630,087	1,213,611

[1] Including non-controlling interest's share

The increase in production is mainly due to twelve months of operation in 2004 compared with nine months in 2003.

	2004	2003 (nine months)
Capital expenditures	$ 29.4	$ 6.9

Capital expenditures in 2004 largely reflect the expenditures on the expansion. In addition, expenditures of $5.8 million in respect of progress payments and deposits on equipment to be used in the expansion have been recorded in other assets. At the end of 2004, commitments were in place for over $40 million in respect of the expansion project. These commitments are primarily for equipment purchases.

Availability	Q4 2004	Q4 2003	2004	2003
Varadero	79%	93%	85%	85%
Boca de Jaruco	95%	95%	89%	96%

During the year ended 2004, the major events impacting availability were hurricanes, two mechanical inspections and the failure of a gearbox at the peak plant. Two hurricanes disrupted power distribution in the Cuban grid resulting in a minor loss of production and two major mechanical inspections resulted in the loss of the equivalent of two months production from a gas turbine. The failure of the gearbox took the peak plant out of production from late August until mid-October 2004.

Other Businesses

Other Businesses comprise the consolidated results of the Corporation's soybean-based food processing business, equity investments in tourism related businesses as well as a Cuban market garden joint venture recorded at cost. Other Businesses in the prior year included the tourism businesses and the results of the soybean-based food processing business in addition to the Corporation's share of a telecommunications business sold in August 2003 and the Power business prior to it becoming a separate segment at the end of March 2003.

Total earnings from equity investments for the quarter was $0.2 million (2003 –$0.1 million). For the year ended December 31, 2004, equity earnings was $0.6 million (2003 – loss of $0.1 million).

Fourth Quarter Results

(millions of dollars)	Q4 2004	Q4 2003
Revenue	$ 20.3	$ 12.2
Operating costs	(19.1)	(11.6)
Selling costs	(0.1)	-
General and administrative costs	(0.4)	(0.6)
EBITDA	0.7	-
Depletion, amortization and accretion	(0.8)	(0.5)
Operating earnings	$ (0.1)	$ (0.5)

Revenue and operating costs increased in the fourth quarter compared with the prior year as throughput for the soybean-based food processing business increased due to the stable operation of the processing facility.

Year Ended December 31 Results

(millions of dollars)	2004	2003
Revenue	$ 78.2	$ 47.3
Operating costs	(69.6)	(40.4)
Selling costs	(0.1)	(0.7)
General and administrative costs	(2.0)	(3.5)
EBITDA	6.5	2.7
Depletion, amortization and accretion	(2.3)	(5.2)
Operating earnings	$ 4.2	$ (2.5)

Revenue increased substantially over 2003 due to the stable operation of the processing facility which resulted in increased throughput. Overall throughput was up from 90,500 tonnes in 2003 to 129,800 tonnes in 2004. The increase in operating costs was also due to increased throughput of raw soybeans. The 2003 amounts include Sherritt's proportionate share of the telecommunications business until June 30. From June 30 until its sale on August 31, the telecommunications business was accounted for on an equity basis.

Changes in Accounting Policies and Estimates Including Initial Adoption

During 2004, the Corporation adopted several new accounting pronouncements from the Canadian Institute of Chartered Accountants (CICA) that have an impact on the Corporation's financial statements. The highlights of the impact of the new pronouncements are as follows:

Asset Retirement Obligations

During March 2003, the CICA issued Section 3110 in respect of accounting for asset retirement obligations and related asset retirement costs. These recommendations apply to legal obligations resulting from the acquisition, construction, development or normal operation of tangible long-lived assets. The liability is recognized at its fair value when it is incurred, with a corresponding asset retirement cost added to the related asset and then amortized to expense on a basis consistent with the amortization policy for the asset.

The new policy was implemented on January 1, 2004, on a retroactive basis, as required by the CICA. The impact of the adoption of this accounting policy on prior year amounts is disclosed in note 2 of the consolidated financial statements.

Consolidation of Variable Interest Entities

On October 1, 2004, the Corporation early adopted AcG-15, Consolidation of Variable Interest Entities. The guideline requires the primary beneficiary of a variable interest entity (VIE) to consolidate the VIE when the equity owners have not provided the VIE with sufficient funding through equity to allow it to finance its activities without relying on subordinated financial support from other parties or when the primary beneficiary holds a controlling financial interest through means other than the majority ownership of voting equity. The primary beneficiary is the enterprise that will absorb or receive the majority of the VIE's expected losses, expected residual returns, or both. The Corporation is the primary beneficiary of two VIE's.

The Corporation has elected to implement the guideline on a retroactive basis with restatement of prior periods. The effect of the change in policy on current and prior year amounts is disclosed in note 2 of the consolidated financial statements.

Convertible Debentures – Disclosure and Presentation

On October 1, 2004, the Corporation early adopted changes to CICA section 3860, Financial Instruments – Disclosure and Presentation. Under Section 3860 the convertible debentures must be divided into liability and equity components in accordance with the substance of the contractual arrangement.

The liability component was determined by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability without an associated equity component. The carrying amount of the equity component, represented by the holders' option to convert the convertible debentures into common shares, was determined by deducting the carrying amount of the liability component from the principal value of the convertible debentures that were originally issued at par. The liability is increased to the par value of the convertible debentures over the term to maturity through an accretion charge recorded in interest expense.

The Corporation has elected to implement the guideline on a retroactive basis with restatement of prior periods. The effect of the change in policy on current and prior year amounts is disclosed in note 2 of the consolidated financial statements.

Change in Estimated Useful Lives

Concurrent with the implementation of the asset retirement obligation accounting policy, Coal undertook a review of the estimated useful lives of its capital assets. The effect of the change in estimate on current year results is disclosed in note 2 of the consolidated financial statements. The change in estimated useful lives of capital assets was treated as a change in accounting estimate and was, therefore, implemented on a prospective basis.

Sherritt International Corporation

Interim Consolidated

Financial Statements

Sherritt International Corporation
Fourth Quarter Report

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Consolidated Balance Sheets

(millions of Canadian dollars)	December 31 2004 (audited)	December 31 2003 (audited) (restated – note 2)
ASSETS		
Current assets		
Cash, cash equivalents and short-term investments	$ 427.0	$ 334.1
Restricted cash	25.0	8.0
Advances and loans receivable	27.7	21.4
Accounts receivable	282.6	323.4
Inventories	103.1	108.1
Overburden removal costs	1.4	2.1
Prepaid expenses	14.4	11.1
Future income taxes	18.9	16.7
	900.1	824.9
Capital assets	1,494.7	1,507.4
Investments	21.7	23.7
Future income taxes	66.8	47.1
Other assets	114.3	125.5
	$ 2,597.6	$ 2,528.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	$ 44.9	$ 26.9
Accounts payable and accrued liabilities	178.8	192.1
Current portion of long-term debt (note 4)	4.2	23.3
Asset retirement obligations (note 5)	11.8	8.9
Future income taxes	-	0.7
	239.7	251.9
Long-term debt and other liabilities (note 4)	777.7	880.4
Asset retirement obligations (note 5)	65.4	70.5
Future income taxes	203.7	199.8
Non-controlling interests (note 8)	183.7	150.5
	1,470.2	1,553.1
Shareholders' equity		
Convertible debentures (note 6)	25.0	31.2
Capital stock (note 7)	582.4	581.7
Contributed surplus (note 9)	199.2	201.8
Retained earnings	320.8	160.8
	1,127.4	975.5
	$ 2,597.6	$ 2,528.6

Consolidated Statements of Operations

[millions of Canadian dollars except per share amounts]	Three months ended December 31 (unaudited) 2004	Three months ended December 31 (unaudited) 2003 (restated – note 2)	Year ended December 31 (audited) 2004	Year ended December 31 (audited) 2003 (restated – note 2)
Revenue	$ 261.9	$ 250.4	$ 1,086.0	$ 902.7
Operating, selling, general and administrative	161.7	153.1	595.3	558.7
Earnings before undernoted items	100.2	97.3	490.7	344.0
Depletion, amortization and accretion	49.0	44.7	185.4	179.0
Net financing expense (note 11)	22.8	23.2	68.0	61.4
Other items (note 12)	(19.9)	(0.1)	(20.3)	(6.6)
Earnings from continuing operations before income taxes and non-controlling interests	48.3	29.5	257.6	110.2
Income taxes (note 13)	21.2	3.0	67.1	12.5
Non-controlling interests (note 8)	4.4	6.0	33.2	21.4
Earnings from continuing operations	22.7	20.5	157.3	76.3
Discontinued operations (note 14(a))	1.7	-	2.7	6.9
Net earnings	$ 24.4	$ 20.5	$ 160.0	$ 83.2
Earnings from continuing operations per share				
Basic	$ 0.15	$ 0.20	$ 1.18	$ 0.69
Diluted	0.13	0.15	0.91	0.59
Earnings per share				
Basic	$ 0.17	$ 0.20	$ 1.20	$ 0.75
Diluted	0.14	0.15	0.92	0.63

Consolidated Statements of Retained Earnings

[millions of Canadian dollars]	Three months ended December 31 (unaudited) 2004	Three months ended December 31 (unaudited) 2003 (restated – note 2)	Year ended December 31 (audited) 2004	Year ended December 31 (audited) 2003 (restated – note 2)
Beginning of period, as previously reported	$ 329.8	$ 183.0	$ 203.2	$ 116.2
Change in accounting policies (note 2)	(33.4)	(42.7)	(42.4)	(38.6)
Beginning of period, as restated	296.4	140.3	160.8	77.6
Net earnings	24.4	20.5	160.0	83.2
End of period	$ 320.8	$ 160.8	$ 320.8	$ 160.8

Consolidated Statements of Cash Flow

[millions of Canadian dollars]	Three months ended December 31 (unaudited) 2004	Three months ended December 31 (unaudited) 2003 (restated – note 2)	Year ended December 31 (audited) 2004	Year ended December 31 (audited) 2003 (restated – note 2)
Operating activities				
Net earnings	$ 24.4	$ 20.5	$ 160.0	$ 83.2
Items not affecting cash				
Non-controlling interests (note 8)	4.4	6.0	33.2	21.4
Accretion on convertible debentures	0.7	0.9	2.8	4.0
Depletion, amortization and accretion	49.0	44.7	185.4	179.5
Write-down of investments (note 12)	-	-	-	4.0
Gain on sale of investments	(1.6)	(4.5)	(1.6)	(3.1)
Gain on sale of metallurgical coal assets	-	-	-	(12.9)
Amortization of financing costs	1.8	0.9	3.9	3.8
Share of loss (earnings) of equity investments (note 12)	(0.2)	(0.1)	(0.6)	0.1
Future income taxes	3.8	(22.0)	(21.6)	(50.3)
Foreign exchange loss	2.3	4.1	5.7	2.1
Asset retirement obligations expenditures	(1.2)	(4.8)	(9.1)	(9.9)
Other items	(3.5)	1.3	(5.7)	4.6
Cash provided before working capital changes	79.9	47.0	352.4	226.5
Decrease (increase) in non-cash working capital				
Accounts receivable	21.8	2.9	31.7	(69.7)
Inventories	15.5	1.2	5.0	17.4
Overburden removal costs	0.1	-	0.7	0.7
Prepaid expenses	(4.4)	(1.5)	(3.3)	(3.2)
Accounts payable and accrued liabilities	7.7	16.8	(13.1)	33.3
	40.7	19.4	21.0	(21.5)
Cash provided by operating activities	120.6	66.4	373.4	205.0
Investing activities				
Capital expenditures	(58.1)	(29.7)	(143.4)	(102.4)
Other assets	(19.4)	4.3	(11.3)	8.7
Change in restricted cash	(3.3)	0.8	(17.0)	9.6
Net proceeds from sale of capital assets	0.3	-	2.6	0.7
Proceeds from sale of investments	4.0	52.5	4.0	149.8
Investments	0.3	-	0.3	(97.7)
Acquisition of businesses (note 14)	-	-	-	(125.9)
Cash provided by (used for) investing activities	(76.2)	27.9	(164.8)	(157.2)
Financing activities				
Short-term debt	18.4	4.5	18.0	(1.7)
Long-term debt	(21.2)	(0.5)	(24.0)	(8.0)
Convertible debenture repurchase (note 4(a))	(110.4)	-	(110.4)	-
Convertible debenture exchange costs	-	(0.2)	-	(0.2)
Issue of common shares	-	0.1	0.7	103.2
Cash provided by (used for) financing activities	(113.2)	3.9	(115.7)	93.3
Increase (decrease) in net cash	(68.8)	98.2	92.9	141.1
Net cash at beginning of period	495.8	235.9	334.1	193.0
Net cash at end of period	$ 427.0	$ 334.1	$ 427.0	$ 334.1
Supplementary Cash Flow Information				
Cash received for interest	$ 10.7	$ 2.1	$ 43.2	$ 10.9
Cash paid for interest on debt	30.7	28.8	73.4	66.8
Cash paid for income taxes	18.2	8.7	77.3	42.2

Net cash consists of cash, cash equivalents and short-term investments. As at December 31, 2004, short-term investments with maturities greater than three months were $38.7 million (2003 – $12.0 million).

Notes To Interim Consolidated Financial Statements (Unaudited)
(All tabular dollar amounts expressed in millions of Canadian dollars, except per share amounts)

1. Summary of accounting policies

These interim consolidated financial statements follow the same accounting policies as the consolidated financial statements for the year ended December 31, 2003, except as noted below. The disclosures contained in these interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2003.

2. Changes in accounting policies and estimates

(a) Asset retirement obligations

On January 1, 2004, the Corporation adopted CICA Section 3110 in respect of accounting for asset retirement obligations and related asset retirement costs. These recommendations apply to legal obligations resulting from the acquisition, construction, development or normal operation of long-lived assets. The liability is recognized at its fair value when incurred and is accreted to its full value through charges to earnings. The fair value of the estimated asset retirement costs is capitalized as part of the related asset and then amortized on the same basis as the related asset.

The accounting policy was implemented on a retroactive basis with restatement of prior periods. The cumulative effect of the change in policy on the December 31, 2003 balance sheet is disclosed in the table at the end of this note 2. The change in policy resulted in a $2.5 million reduction in earnings from continuing operations in 2003 (reduction in EPS – basic $0.02, diluted $0.01).

(b) Consolidation of variable interest entities

On October 1, 2004, the Corporation early adopted AcG-15, Consolidation of Variable Interest Entities. The guideline requires the primary beneficiary of a variable interest entity (VIE) to consolidate the VIE. A VIE is an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. The primary beneficiary is the enterprise that will absorb or receive the majority of the VIEs expected losses, expected residual returns, or both. The Corporation is the primary beneficiary of two VIEs as described in note 8.

The Corporation has implemented the guideline on a retroactive basis with restatement of prior periods. The cumulative effect of the change in policy on the December 31, 2003 balance sheet is disclosed in the table at the end of this note 2. The change in policy resulted in an increase in earnings from continuing operations of $2.7 million (increase in EPS – basic $0.02, diluted $0.01) in the first nine months of 2004 and an increase of $0.6 million (increase in EPS – basic $0.01, diluted nil) in 2003.

(c) Convertible debentures – disclosure and presentation

On October 1, 2004, the Corporation early adopted changes to CICA section 3860, Financial Instruments – Disclosure and Presentation. The convertible debentures are now divided into liability and equity components in accordance with the substance of the contractual arrangement.

The liability component was determined by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability without an associated equity component. The carrying amount of the equity component represented the holders' option to convert the convertible debentures into common shares and was determined by deducting the carrying amount of the liability component from the principal value of the convertible debentures that were originally issued at par. The liability is increased to the par value of the convertible debentures over the term to maturity through an accretion charge recorded in interest expense (see note 4).

The changes have been implemented on a retroactive basis with restatement of prior periods. The cumulative effect of the change in policy on the December 31, 2003 balance sheet is disclosed in the table at the end of this note 2. The change in policy resulted in a decrease in earnings from continuing operations of $22.0 million (decrease in EPS – basic $0.04, diluted $0.03) in the first nine months of 2004 and a decrease of $35.5 million (decrease in EPS – basic $0.05, diluted $0.05) in 2003.

(d) Change in estimated useful life of capital assets

Concurrent with the implementation of the asset retirement obligation accounting policy, the Coal business undertook a review of the estimated useful life of its capital assets. As a result of this review, amortization was reduced by $1.3 million in the fourth quarter and by $5.3 million for the year ended December 31, 2004. The change in estimated useful life of capital assets was treated as a change in accounting estimate and was, therefore, implemented on a prospective basis.

(e) Oil and gas full cost accounting

The CICA approved Accounting Guideline AcG-16, Oil and Gas Accounting - Full Cost, in July 2003. The guideline is effective for years beginning on or after January 1, 2004. The guideline modifies the ceiling test for oil and gas revenues and provides guidance on several other issues in respect of oil and gas assets. The recoverability of a cost centre is tested by comparing the carrying value of the cost centre to the sum of the undiscounted expected cash flows from proved reserves of the cost centre. If the carrying value is unrecoverable, the cost centre is written down to its fair value, which is determined by discounting the expected future cash flows from proved and probable reserves using a risk free rate. Risks and uncertainties are incorporated in the expected future cash flows used in the determination of fair value. The implementation of this guideline did not have an impact on the financial statements.

(f) Impairment of long-lived assets

In 2003, the CICA issued Section 3063, Impairment of Long-lived Assets, which is effective for fiscal years beginning on or after April 1, 2003. This section provides guidance on recognizing, measuring and disclosing impairment of long-lived assets. There were no significant impairment losses recorded in respect of long-lived assets in the year ended December 31, 2004.

(g) Hedging relationships

In 2003, the CICA issued Accounting Guideline AcG-13, Hedging Relationships, which deals with the identification, documentation, designation and effectiveness of hedges and also the discontinuance of hedge accounting but does not specify hedge accounting methods. This guidance is applicable to hedging relationships in effect for fiscal years beginning on or after July 1, 2003. The implementation of this guideline did not materially change the accounting policies in use and, as a result, it did not have an impact on the financial statements.

EIC Abstract 128, Accounting for Trading, Speculative or Non-hedging Derivative Financial Instruments, requires most freestanding derivative financial instruments that do not qualify for hedge accounting under Accounting Guideline AcG-13, to be recognized in the balance sheet at fair value. The adoption of this guideline had no impact on the financial statements.

(h) Revenue recognition

In December 2003, the Emerging Issues Committee issued EIC Abstract 141, Revenue Recognition, which incorporates the principles and summarizes the guidance in the U.S. Securities and Exchange Commission Staff Accounting Bulletin 101, Revenue Recognition in Financial Statements. The abstract provides interpretative guidance on the application of CICA Handbook Section 3400, Revenue. The abstract has been applied prospectively to sales transactions recognized in 2004. The adoption of this abstract had no impact on the financial statements.

(i) Generally accepted accounting principles

CICA Handbook Section 1100, Generally Accepted Accounting Principles, was issued in October 2003, and is effective for fiscal years beginning January 1, 2004. The section establishes standards for financial reporting in accordance with GAAP and clarifies the relative authority of various accounting pronouncements and other sources within GAAP. There was no impact to the Corporation upon implementing this new standard.

(j) General standards of financial statement presentation

In July 2003, the CICA issued Section 1400, General Standards of Financial Statement Presentation, which is effective for fiscal years beginning on January 1, 2004. This standard clarifies what constitutes fair presentation in accordance with GAAP, which involves providing sufficient information in a clear and understandable manner about certain transactions or events of such size, nature and incidence that their disclosure is necessary to understand the Corporation's financial statements.

The following is a reconciliation of Sherritt's 2003 consolidated balance sheet reflecting the impact of the adoption of the changes in accounting policies described in notes 2(a) to 2(c).

[MILLIONS OF CANADIAN DOLLARS]	2003, as Previously Reported	Asset Retirement Obligations (Note 2(a))	Variable Interest Entities (Note 2(b))	Convertible Debentures (Note 2(c))	2003, as Restated
Assets					
Current assets					
Cash, cash equivalents and short-term investments	$ 333.0	$ -	$ 1.1	$ -	$ 334.1
Restricted cash	8.0	-	-	-	8.0
Advances and loans receivable	60.7	-	(39.3)	-	21.4
Accounts receivable	281.5	-	41.9	-	323.4
Inventories	92.6	-	15.5	-	108.1
Overburden removal costs	2.1	-	-	-	2.1
Prepaid expenses	7.7	-	3.4	-	11.1
Future income taxes	16.7	-	-	-	16.7
	802.3	-	22.6	-	824.9
Capital assets	1,254.0	9.9	243.5	-	1,507.4
Investments	55.7	-	(32.0)	-	23.7
Future income taxes	39.5	0.4	-	7.2	47.1
Other assets	173.9	-	(57.1)	8.7	125.5
	$ 2,325.4	$ 10.3	$ 177.0	$ 15.9	$ 2,528.6
Liabilities and shareholders' equity					
Current liabilities					
Short-term debt	$ 26.9	$ -	$ -	$ -	$ 26.9
Accounts payable and accrued liabilities	165.8	1.9	24.4	-	192.1
Current portion of long-term debt	23.3	-	-	-	23.3
Asset retirement obligations	7.9	1.0	-	-	8.9
Future income taxes	0.7	-	-	-	0.7
	224.6	2.9	24.4	-	251.9
Long-term debt and other liabilities	292.3	-	2.4	585.7	880.4
Asset retirement obligations	46.0	24.5	-	-	70.5
Future income taxes	194.4	(8.8)	5.1	9.1	199.8
Non-controlling interests	-	-	150.5	-	150.5
	757.3	18.6	182.4	594.8	1,553.1
Shareholders' equity					
Convertible debentures	590.1	-	-	(558.9)	31.2
Capital stock	581.7	-	-	-	581.7
Contributed surplus	193.1	-	-	8.7	201.8
Retained earnings	203.2	(8.3)	(5.4)	(28.7)	160.8
	1,568.1	(8.3)	(5.4)	(578.9)	975.5
	$ 2,325.4	$ 10.3	$ 177.0	$ 15.9	$ 2,528.6

3. Post-retirement benefits

The Corporation's pension expense for the three months ended December 31, 2004 was $7.2 million (2003 - $6.5 million). For the year ended December 31, 2004, pension expense was $10.9 million (2003 - $8.5 million).

4. Long-term debt and other liabilities

	2004	2003 (restated)
6% convertible debentures due 2006 [a]	**$ 196.8**	$ 292.9
7% convertible debentures due 2013 [b]	**293.3**	292.8
Senior notes	**165.5**	177.7
Senior unsecured debentures	**105.0**	105.0
9.625% promissory note, due December 30, 2004 [c]	**-**	44.7
less: sinking fund	**-**	(23.1)
	760.6	890.0
Capital lease obligations [d]	**16.2**	4.9
Other long-term liabilities	**5.1**	8.8
	781.9	903.7
Current portion of long-term debt	**(4.2)**	(23.3)
	$ 777.7	$ 880.4

(a) As at December 31, 2004, the 6% convertible debentures comprise the liability component of $200 million par value (2003 – $300 million) convertible unsecured subordinated debentures issued in November 1996. The debentures have a maturity date of December 15, 2006, and are convertible at the option of the holder into common shares of the Corporation at a conversion price of $8.775 per common share. Interest payments on the debentures are made semi-annually on June 15 and December 15. The 6% convertible debentures are redeemable at par provided that the trading price of the Corporation's common shares reaches certain levels. Subject to regulatory approval, the Corporation may, at its option, satisfy the obligation to pay interest on the 6% convertible debentures or repay the principal amount of the 6% convertible debentures on redemption or at maturity in common shares.

The 6% convertible debentures were distributed on an installment basis with the final installment of $338.0 million received on December 1, 1997. Interest payable to debenture holders was determined on the $675.0 million outstanding from the date of issue. Deferred debenture interest included in other assets of $3.8 million (2003 – $5.7 million) represents the portion of interest relating to the final installment of the remaining 6% convertible debentures, which was deferred and is being amortized over the term of the debentures. Accordingly, the effective interest rate of the 6% convertible debentures is 6.32%.

On December 15, 2004, the Corporation repurchased $100 million par value of its 6% convertible debentures for cash of $110.4 million (including transaction costs of $1.9 million). The amount paid was allocated pro rata to the liability and equity components of the 6% convertible debentures based on their relative fair values at the transaction date. A loss of $2.7 million was recorded in respect of the liability component of the 6% convertible debentures repurchased. The effect of the repurchase on the equity component is reflected in notes 6 and 9.

(b) On December 4, 2003, the Corporation exchanged $300.0 million par value of its 6% convertible debentures for an equal principal amount of 7% convertible unsecured subordinated debentures. The carrying value of the liability component of the 6% convertible debentures exchanged of $292.7 million was maintained as the carrying value of the liability component of the 7% convertible debentures, as the exchange was treated as a modification of terms rather than a settlement under Canadian generally accepted accounting principles. Accordingly, the pro rata unamortized balance of deferred financing costs related to the 6% convertible debentures exchanged is being amortized over the remaining life of the new 7% convertible debentures. Costs relating to the exchange were allocated on a pro rata basis between the liability component and equity component with the portion related to the liability recorded as an expense and the portion related to equity netted against the equity component. The 7% convertible debentures have a maturity date of December 15, 2013, and are convertible at the option of the holder into common shares of the Corporation at a conversion price of $7.00 per common share. Interest payments on the 7% convertible debentures are made semi-annually on June 15 and December 15.

The 7% convertible debentures are not redeemable by the Corporation prior to December 16, 2006. From December 16, 2006 to December 15, 2008, the 7% convertible debentures will be redeemable at par provided the trading price of the Corporation's common shares exceed 125% of the conversion price. On and after December 16, 2008, the 7% convertible debentures will be redeemable at par at any time. Subject to regulatory approval, the Corporation may, at its option, satisfy the obligation to pay interest on the 7% convertible debentures or repay the principal amount of the 7% convertible debentures on redemption or at maturity in common shares.

(c) The 9.625% promissory note was repaid at maturity in December 2004. The promissory note was issued to finance the acquisition of a dragline and mine in conjunction with a long-term coal supply agreement with a Crown corporation. The promissory note was secured by the assets, rights and agreements related to the mine. Amounts paid to Luscar Ltd. under the terms of the coal supply agreement with the Crown corporation included a component intended to substantially reimburse Luscar Ltd. for the interest and sinking fund payments made in respect of the promissory note. At maturity, Luscar Ltd. was obligated to repay the promissory note, net of related sinking fund. The coal supply agreement required the Crown corporation to immediately reimburse Luscar Ltd. for any net repayment required in excess of the sinking fund proceeds. The Corporation recorded, as income, the net reimbursement of $19.7 million in respect of the 9.625% promissory note (note 12), representing the difference between the principal amount and sinking fund reimbursed by a third party.

(d) Obligations under capital leases bear interest at fixed rates ranging from 4.8% to 8.0% and mature between 2005 and 2009.

Interest and accretion on long-term debt for the year ended December 31, 2004 was $71.1 million (2003 – $72.8 million). For the three months ended December 31, 2004 interest and accretion on long-term debt was $17.3 million (2003 - $18.4 million).

5. Asset retirement obligations

Asset retirement obligations have been recognized in respect of the mining operations of Coal and Metals, including associated infrastructure and buildings. Obligations have also been recorded for nickel and cobalt refining facilities, fertilizers and utilities facilities and oil and gas production facilities. Reclamation of coal mining operations is typically carried out on a continuous basis over the life of each mine and is dependent on the rate that mining progresses over the area to be mined. Retirement of refinery, fertilizer and utility facilities, oil and gas production facilities, infrastructure and buildings normally takes place at the end of the assets' useful life.

The following is a reconciliation of the opening and closing asset retirement obligation balances.

	Year ended December 31	
	2004	2003 (restated)
Balance, beginning of period	**$ 79.4**	$ 78.3
Additions to liabilities	**7.3**	7.0
Liabilities settled	**(14.3)**	(9.0)
Accretion expense	**5.5**	5.3
Change in foreign exchange rates	**(0.7)**	(2.2)
Balance, end of period	**77.2**	79.4
Current portion	**(11.8)**	(8.9)
	$ 65.4	$ 70.5

The Corporation estimated the undiscounted cash flow required to settle the asset retirement obligation is approximately $212.9 million. Expenditures will be made on an ongoing basis over several decades and are expected to be funded by cash generated from operations. Credit adjusted discount rates from 3% to 9% were applied to expected future cash flows to determine the carrying value of the asset retirement obligation.

In view of uncertainties concerning asset retirement obligations, the ultimate costs could be materially different from the amounts estimated. The estimate of the future asset retirement liabilities is subject to change based on amendments to applicable laws and legislation. Future changes in asset retirement liabilities, if any, could have a significant impact and would be reflected prospectively, as a change in accounting estimate.

6. Convertible debentures

	2004	2003 (restated)
6% convertible debentures due 2006	**$ 12.4**	$ 18.6
7% convertible debentures due 2013	**12.6**	12.6
	$ 25.0	$ 31.2

The equity component in respect of the 6% convertible debentures and 7% convertible debentures represent the value of the debenture holders' option to convert the convertible debentures into common shares at the time the debentures were issued. The repurchase of $100 million 6% convertible debentures on December 15, 2004, resulted in a proportionate reduction of the equity component of the 6% convertible debentures. The above amounts are shown net of related issued costs on an after tax basis.

7. Capital stock

The Corporation's authorized share capital consists of an unlimited number of common shares plus 100 multiple voting shares.

In December 2003, the Corporation exchanged all 100 issued multiple voting shares for restricted voting shares on a one-for-one basis and the multiple voting shares were cancelled.

On May 27, 2004, the shareholders of the Corporation voted to redesignate the restricted voting shares as common shares.

During 2003, the Corporation completed an equity issue of 27,500,000 common shares, including 2,500,000 shares issued in respect of an over-allotment option exercised by the syndicate of underwriters for the equity issue. The shares were issued at the price of $4.00 per share for proceeds of $102.9 million, net of issue costs of $7.1 million.

The changes in the Corporation's outstanding common shares were as follows:

	Number		Stated Capital	
	2004	2003	**2004**	2003
Balance, beginning of year	**131,189,779**	97,761,889	**$ 581.7**	$ 451.0
Shares issued:				
Share purchase plan	**91,140**	40,290	**0.4**	0.2
Stock options exercised	**100,000**	15,000	**0.3**	0.1
Debenture conversion	**857**	-	-	-
Sherritt Power amalgamation	-	5,872,500	-	27.5
Equity issue	-	27,500,000	-	102.9
Exchange of multiple voting shares	-	100	-	-
Balance, end of year	**131,381,776**	131,189,779	**$ 582.4**	$ 581.7

If all of the convertible debentures are converted into shares at the option of the holders, up to 22,792,023 additional common shares may be issued on or before December 14, 2006 with respect to the 6% convertible debentures, and up to 42,856,286 additional common shares may be issued on or before December 14, 2013 with respect to the 7% convertible debentures.

The following table presents the calculation of basic and diluted earnings per common share:

	Three months ended December 31		Year ended December 31	
	2004	2003	**2004**	2003 (restated)
Earnings from continuing operations	**$ 22.7**	$ 20.5	**$ 157.3**	$ 76.3
Loss on repurchase of convertible debentures	**(2.6)**	-	**(2.6)**	-
Gain on exchange of convertible debentures	**-**	5.9	**-**	5.9
Earnings from continuing operations - basic	**20.1**	26.4	**154.7**	82.2
Earnings from discontinued operations	**1.7**	-	**2.7**	6.9
Net earnings – basic	**21.8**	26.4	**157.4**	89.1
Gain on exchange of convertible debentures included in contributed surplus[(a)]	**-**	(5.9)	**-**	(5.9)
Expenses incurred on exchange of convertible debentures[(a)]	**-**	3.7	**-**	3.7
Interest and accretion on convertible debentures[(a)]	**6.2**	5.5	**25.0**	32.2
Net earnings – diluted	**28.0**	29.7	**182.4**	119.1
Earnings from discontinued operations	**(1.7)**	-	**(2.7)**	(6.9)
Earnings from continuing operations – diluted	**$ 26.3**	$ 29.7	**$ 179.7**	$ 112.2
Weighted average number of common shares – basic	**131.3**	131.2	**131.3**	119.3
Weighted average effect of dilutive securities:				
Employee stock options[(a)]	**0.8**	0.3	**0.8**	0.3
Convertible debentures[(a)]	**65.6**	65.9	**65.7**	69.0
Weighted average number of common shares - diluted	**197.7**	197.4	**197.8**	188.6
Earnings from continuing operations per common share				
Basic	**$ 0.15**	$ 0.20	**$ 1.18**	$ 0.69
Diluted	**0.13**	0.15	**0.91**	0.59
Earnings from discontinued operations per common share				
Basic	**0.02**	-	**0.02**	0.06
Diluted	**0.01**	-	**0.01**	0.04
Earnings per common share				
Basic	**0.17**	0.20	**1.20**	0.75
Diluted	**0.14**	0.15	**0.92**	0.63

[(a)] The determination of net earnings - diluted, earnings from continuing operations - diluted and weighted average number of common shares - diluted, excludes any anti-dilutive amounts in respect of convertible debenture conversions, repurchases and the exercise of stock options.

8. Variable interest entities and non-controlling interests

The Corporation is the primary beneficiary of two variable interest entities as defined under AcG-15.

The Corporation holds an indirect one-third interest in the equity of a VIE, which owns and operates natural gas-fired power plants in Cuba. In addition, the Corporation indirectly provided financing for the construction of the power plants. As the primary beneficiary of the VIE since March 28, 2003, the Corporation consolidates this entity under AcG-15. The two-thirds non-controlling interest in the entity is presented separately. Prior to the adoption of AcG-15, Sherritt's investment in the entity was recorded as an equity investment until March 28, 2003, after which it was proportionately consolidated as a joint venture.

The Corporation holds a 49% indirect equity interest in a VIE which processes soybeans in Cuba. In addition, the Corporation indirectly provided financing for the construction of the soybean-based food processing facilities and working capital requirements. As the primary beneficiary of the VIE since its inception in 1998, the Corporation consolidates this entity under AcG-15. The 51% non-controlling interest in the soybean-based food processing entity is presented separately. Prior to the adoption of AcG-15, Sherritt's investment in the soybean-based food processing entity was proportionately consolidated until June 30, 2000 after which it was accounted for on an equity basis.

Until such time as the financing provided by the Corporation and interest thereon, is fully repaid, the Corporation will retain title to the related assets. Following full repayment of the respective financing, title will transfer to the VIE. Each of the VIEs have the exclusive right to use and enjoy the benefits of ownership of the relevant assets unless they default on their respective obligations under the terms of the financing.

Non-controlling interests in entities consolidated by the Corporation are as follows:

		Power		Other [a]		Total
Balance, December 31, 2002	$	-	$	5.0	$	5.0
Amalgamation with Sherritt Power		129.7		-		129.7
Disposal of telecommunications entity		-		(5.6)		(5.6)
Share of 2003 net earnings		20.8		0.6		21.4
Balance, December 31, 2003		150.5		-		150.5
Share of 2004 net earnings		33.2		-		33.2
Balance, December 31, 2004	$	183.7	$	-	$	183.7

[a] Other included the telecommunications business which was sold on August 31, 2003.

The above non-controlling interest balances do not include amounts in respect of the soybean-based food processing entity since accumulated losses that are attributable to the non-controlling interests of this entity, exceed the value of the non-controlling interest in the common shares. As a result, Sherritt will absorb all of the earnings or losses of the business until the accumulated losses absorbed by Sherritt have been recovered.

On June 30, 2003, the Corporation changed its basis of accounting for its 40% indirect interest in Teléfonos Celulares de Cuba S.A. (telecommunications business) from

proportionate consolidation to equity accounting. The change in accounting was the result of the Corporation's decision to participate in the Cuban government's initiative to consolidate the telecommunications industry in Cuba. As a result, effective July 1, 2003, this investment was no longer accounted for as a joint venture. On August 31, 2003, the Corporation sold its 40% indirect interest in the telecommunications business.

9. Contributed surplus

		2004		2003
Balance, beginning of year	**$**	**201.8**	$	195.9
Repurchase of convertible debentures		**(2.6)**		-
Exchange of convertible debentures		**-**		5.9
Balance, end of year	**$**	**199.2**	$	201.8

Contributed surplus was reduced in 2004 as a result of a loss on the December 15, 2004 repurchase of 6% convertible debentures. The exchange of $300 million 6% convertible debentures for an equal principal amount of 7% convertible debentures in 2003, resulted in a gain in respect of the equity component of the debentures exchanged. The amounts relating to both of these transactions are stated net of tax.

Contributed surplus may be utilized to eliminate or reduce any deficit, which may arise as a result of the future payment or distribution of dividends or other distributions, from time to time, to holders of the common shares.

10. Stock compensation plans

The Corporation established an employee and director stock option plan (the Option Plan) in 1995 to govern the granting of certain options to purchase common shares in the Corporation. The current maximum number of options which may be issued under the Option Plan is 6,784,670. Under the Option Plan, the exercise price of each option equals the closing market price of the Corporation's stock on the day prior to the date the option is granted and an option's maximum term is ten years. Options vest on such terms as the pension and compensation committee of the Board of Directors determines, generally in three equal installments on the first, second and third anniversaries of the date the options are granted.

A summary of the status of the Corporation's Option Plan is presented below:

	Three months ended December 31 2004			Three months ended December 31 2003		
	Options	**Weighted-average exercise price**		Options	Weighted-average exercise price	
Outstanding at beginning of period	**6,055,000**	**$**	**6.65**	6,425,000	$	6.64
Exercised	**(15,000)**		**3.05**	(15,000)		3.05
Expired	**-**		**7.73**	-		-
Outstanding at end of period	**6,040,000**	**$**	**6.66**	6,410,000	$	6.64

	Year ended December 31 2004		Year ended December 31 2003	
	Options	**Weighted-average exercise price**	Options	Weighted-average exercise price
Outstanding at beginning of year	**6,410,000**	**$ 6.64**	6,425,000	$ 6.64
Exercised	**(100,000)**	**3.05**	(15,000)	3.05
Expired	**(270,000)**	**7.73**	-	-
Outstanding at end of year	**6,040,000**	**$ 6.66**	6,410,000	$ 6.64

The following table summarizes information on stock options outstanding and exercisable at December 31, 2004:

Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price
$ 2.70 – $ 4.70	565,000	3.8 years	$ 3.04
4.71 – 6.70	3,385,000	1.0 years	6.53
6.71 – 8.30	2,090,000	1.4 years	7.83

The Corporation issued 91,140 common shares to employees during the year ended December 31, 2004 under an employee share purchase plan and has, since the inception of the plan in 1996, issued an aggregate of 376,405 common shares to employees.

The Corporation has established several stock-linked compensation plans the terms of which are described in the Corporation's 2003 Notes to Consolidated Financial Statements. A summary of changes in the number units outstanding under each plan for 2003 and 2004 is as follows:

	SLP	Executive Plan RSU	Executive Plan DSU	Directors' Plan DSU	Power Units
Outstanding at December 31, 2002	160,000	-	-	17,898	-
Issued	1,400,000	294,500	81,500	-	-
Assumption of Sherritt Power plan	-	-	-	-	844,625
Exercised	-	-	-	-	(29,000)
Forfeited/Performance based adjustments	-	(147,250)	(40,750)	-	
Outstanding at December 31, 2003	1,560,000	147,250	40,750	17,898	815,625
Issued	-	135,600	104,000	17,340	-
Exercised	-	-	-	-	(145,000)
Forfeited/Performance based adjustments	-	(29,950)	-	-	-
Outstanding at December 31, 2004	1,560,000	252,900	144,750	35,238	670,625

Total compensation expense recognized during the year in respect of all stock compensation plans was $8.8 million (2003 – $3.1 million). Total compensation expense recognized for the three months ended December 31, 2004 was $5.1 million (2003 - $2.9 million).

11. Net financing expense

	Three months ended December 31		Year ended December 31	
	2004	2003 (restated)	**2004**	2003 (restated)
Interest income on cash, cash equivalents, short-term investments and loans	**$ (4.8)**	$ (0.9)	**$ (21.2)**	$ (21.0)
Interest expense on debt	**20.8**	24.1	**78.6**	81.3
Foreign exchange losses	**2.3**	4.1	**5.7**	2.1
Loss on debenture repurchase	**2.7**	-	**2.7**	-
Other	**1.8**	(4.1)	**2.2**	(1.0)
	$ 22.8	$ 23.2	**$ 68.0**	$ 61.4

12. Other items

	Three months ended December 31		Year ended December 31	
	2004	2003 (restated)	**2004**	2003 (restated)
Income on redemption of promissory note	**$ (19.7)**	$ -	**$ (19.7)**	$ (10.7)
Write-down of Minara Resources investment	**-**	-	**-**	4.0
Share of (earnings) losses of equity investments	**(0.2)**	(0.1)	**(0.6)**	0.1
	$ (19.9)	$ (0.1)	**$ (20.3)**	$ (6.6)

13. Income taxes

	Three months ended December 31		Year ended December 31	
	2004	2003 (restated)	**2004**	2003 (restated)
Current	**$ 17.4**	$ 25.0	**$ 88.7**	$ 69.9
Future	**3.8**	(22.0)	**(21.6)**	(57.4)
	$ 21.2	$ 3.0	**$ 67.1**	$ 12.5

14. Acquisitions and discontinued operations

(a) On February 28, 2003, the Corporation disposed of its metallurgical coal assets. The results of these operations are disclosed as discontinued operations. Earnings from discontinued operations of $6.9 million in 2003 include the gain on sale of the metallurgical coal assets and the net earnings of these operations prior to their sale.

Earnings from discontinued operations of $2.7 million in 2004 reflect the settlement of outstanding items relating to the disposal of metallurgical coal assets.

	Three months ended December 31		Year ended December 31	
	2004	2003 (restated)	**2004**	2003 (restated)
Revenue from discontinued operations	**$ -**	$ -	**$ -**	$ 14.6
Operating earnings from discontinued operations	**-**	-	**-**	1.1
Gain on disposal of metallurgical coal assets	**1.3**	-	**2.5**	12.9
Earnings from discontinued operations before income taxes	**1.3**	-	**2.5**	14.0
Income tax recovery (expense)	**0.4**	-	**0.2**	(7.1)
Earnings from discontinued operations	**$ 1.7**	$ -	**$ 2.7**	$ 6.9

(b) Sherritt Power Corporation

On March 28, 2003, a wholly-owned subsidiary of the Corporation amalgamated with Sherritt Power Corporation (Sherritt Power), a publicly traded company in which the Corporation had an existing 49.7% interest. Pursuant to the amalgamation, shareholders of Sherritt Power received 1.45 common shares of Sherritt for each common share of Sherritt Power, resulting in the issuance of 5,872,500 common shares. Concurrent with the amalgamation, the terms of the outstanding 12.125% unsecured Sherritt Power notes due March 31, 2007 were amended to, among other things, change the interest rate to 9.875%, extend the maturity date to March 31, 2010 and remove the amortizing feature such that the repayment obligation was postponed until March 31, 2010. In addition, an aggregate of $15.3 million principal amount of the Sherritt Power notes was repaid upon the amalgamation being effected. Immediately following the amalgamation, the company resulting from the amalgamation transferred all of the Sherritt Power assets to the Corporation and the Corporation assumed all of the liabilities of the amalgamated company, including the outstanding $105.0 million principal amount of the Sherritt Power notes (the amended notes assumed are referred to as the senior unsecured debentures).

The transaction to acquire 50.3% of the Sherritt Power business was accounted for by the Corporation using the purchase method of accounting and the Corporation has fully consolidated this business since March 28, 2003. Prior to this transaction, the Corporation accounted for its 49.7% investment in Sherritt Power using the equity method of accounting.

With the implementation of AcG-15, Consolidation of Variable Interest Entities, the restated consolidated net assets acquired and the existing investment were allocated as follows:

Acquisition cost:	
Paid to former Sherritt Power noteholders	$ 15.3
Consideration in Sherritt common shares	27.5
Transaction costs	1.3
Cash acquired	(4.9)
	39.2
Balance of Sherritt's equity investment from original 49.7% investment	9.7
Sherritt's investment in Sherritt Power notes	60.2
	$ 109.1

Allocation of acquisition cost:	
Capital assets	$ 312.7
Net non-cash working capital	31.3
Deferred charges	3.5
Intangible assets	31.6
Long-term debt	(105.0)
Future income taxes	(13.7)
Other liabilities	(21.6)
Non-controlling interest	(129.7)
	$ 109.1

15. Commitments and contingencies

Oil and Gas and Power Receivables

During the second quarter of 2004, the Corporation entered into an agreement with an international financial institution, that has been assigned the right, by certain Cuban government agencies, to receive income tax, royalty and labour tax payments (Tax Amounts) made by Moa Nickel S.A. To the extent that the Tax Amounts received by the financial institution exceed the financial institution's minimum quarterly repayment requirements on its loans to Cuban government agencies, the excess is made available to release directly to the Corporation, net of a 4.5% release fee for payment of amounts owing by Cuban government agencies relating to oil and power purchases. The agreement expires in January 2007.

The agreement provides for the release of these funds, denominated in Euros, to the Corporation on a monthly basis provided that certain conditions are met. In the event that the Tax Amounts do not meet the minimum quarterly repayment requirements to the financial institution in the calendar year, the Corporation has agreed to immediately refund amounts received during a particular calendar year to offset the shortfall to the financial institution. If amounts received by the Corporation are refunded to the financial institution, the release fee is refunded to the Corporation and amounts owing to the Corporation from Cuban government agencies will be reinstated in amounts similar to the refund.

During the quarter, the Corporation received $27.4 million under this agreement ($85.9 million for the year ended December 31, 2004), which was applied against receivables. Tax Amounts received by the financial institution to December 31, 2004 are in excess of minimum quarterly repayment requirements for 2004 and as a result, the Corporation will not be required to refund any amounts received under this agreement during 2004.

Power Expansion Commitments

As at December 31, 2004 the Corporation was committed to purchases of equipment and services in the amount of $40 million for the expansion of Power facilities in Cuba.

16. Segment information

Reference should be made to Sherritt's annual audited consolidated financial statements for a full description of operating segments.

Three months ended December 31, 2004

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other[2]	Corporate	Consolidated
Revenue	$ 65.4	$ 107.6	$ 45.1	$ 23.5	$ 20.3	$ -	$ 261.9
Operating, selling, general and administrative	45.1	68.7	10.0	8.7	19.6	9.6	161.7
Earnings (loss) before undernoted items	20.3	38.9	35.1	14.8	0.7	(9.6)	100.2
Depletion, amortization and accretion	16.3	5.2	21.7	4.3	0.8	0.7	49.0
Income on redemption of promissory note	(19.7)	-	-	-	-	-	(19.7)
Operating earnings (loss) from continuing operations	23.7	33.7	13.4	10.5	(0.1)	(10.3)	70.9
Share of earnings of equity investments							0.2
Net financing expense							(22.8)
Earnings from continuing operations before income taxes and non-controlling interests							48.3
Capital expenditures	4.1	10.0	23.3	19.2	0.4	1.1	58.1
Assets	$ 765.7	$ 376.3	$ 542.1	$ 490.8	$ 101.2	$ 321.5	$ 2,597.6

Three months ended December 31, 2003 (restated)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power[1]	Other[2]	Corporate	Consolidated
Revenue	$ 60.3	$ 99.6	$ 51.2	$ 27.1	$ 12.2	$ -	$ 250.4
Operating, selling, general and administrative	46.6	61.2	12.1	9.8	12.2	11.2	153.1
Earnings (loss) before undernoted items	13.7	38.4	39.1	17.3	-	(11.2)	97.3
Depletion, amortization and accretion	15.6	5.1	19.2	3.4	0.5	0.9	44.7
Operating earnings (loss) from continuing operations	(1.9)	33.3	19.9	13.9	(0.5)	(12.1)	52.6
Share of earnings of equity investments							0.1
Net financing expense							(23.2)
Earnings from continuing operations before income taxes and non-controlling interests							29.5
Capital expenditures	6.6	7.3	14.8	1.0	-	-	29.7
Assets	$ 802.0	$ 364.8	$ 492.0	$ 422.2	$ 110.8	$ 336.8	$ 2,528.6

(1) Power operating earnings and capital expenditures have been included as a separate segment since March 28, 2003.
(2) Other includes the results of the soybean-based food processing business.

Year ended December 31, 2004

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other [3]	Corporate	Consolidated
Revenue	$ 250.4	$ 456.3	$ 197.1	$ 104.0	$ 78.2	$ -	$ 1,086.0
Operating, selling, general and administrative	177.5	245.4	38.2	25.8	71.7	36.7	595.3
Earnings (loss) before undernoted items	72.9	210.9	158.9	78.2	6.5	(36.7)	490.7
Depletion, amortization and accretion	58.7	20.3	83.0	17.3	2.3	3.8	185.4
Income on redemption of promissory note	(19.7)	-	-	-	-	-	(19.7)
Operating earnings (loss) from continuing operations	33.9	190.6	75.9	60.9	4.2	(40.5)	325.0
Share of earnings of equity investments							0.6
Net financing expense							(68.0)
Earnings from continuing operations before income taxes and non-controlling interests							257.6
Capital expenditures	$ 8.2	$ 19.3	$ 84.3	$ 29.4	$ 0.4	$ 1.8	$ 143.4

Year ended December 31, 2003 (restated)

(millions of Canadian dollars)	**Coal[1]**	**Metals**	**Oil and Gas**	**Power[2]**	**Other [3]**	**Corporate**	**Consolidated**
Revenue	$ 232.6	$ 321.1	$ 223.1	$ 78.6	$ 47.3	$ -	$ 902.7
Operating, selling, general and administrative	178.9	235.0	49.2	23.3	44.6	27.7	558.7
Earnings (loss) before undernoted items	53.7	86.1	173.9	55.3	2.7	(27.7)	344.0
Depletion, amortization and accretion	56.2	19.8	82.2	12.1	5.2	3.5	179.0
Income on redemption of promissory note	(10.7)	-	-	-	-	-	(10.7)
Operating earnings (loss) from continuing operations	8.2	66.3	91.7	43.2	(2.5)	(31.2)	175.7
Write-down of Minara Resources investment							(4.0)
Share of loss of equity investments							(0.1)
Net financing expense							(61.4)
Earnings from continuing operations before income taxes and non-controlling interests							110.2
Capital expenditures	$ 13.7	$ 17.1	$ 60.1	$ 6.9	$ 3.8	$ 0.8	$ 102.4

[1] Coal capital expenditures include amounts relating to discontinued operations.
[2] Power operating earnings and capital expenditures have been included as a separate segment since March 28, 2003.
[3] Other includes the results of the soybean-based food processing business. Prior to June 30, 2003, Other also included results of the telecommunications business.

Three months ended December 31

	2004		2003 (restated)	
	Revenue	Capital Assets	Revenue	Capital Assets
Canada	$ 74.3	$ 788.4	$ 63.0	$ 812.5
Cuba	86.0	696.3	134.3	682.7
Europe	58.8	3.1	35.5	5.3
Asia	31.6	6.9	15.9	6.9
Other foreign countries	11.2	-	1.7	-
	$ 261.9	$1,494.7	$ 250.4	$1,507.4

Year ended December 31

	2004		2003 (restated)	
	Revenue	Capital Assets	Revenue	Capital Assets
Canada	$ 314.1	$ 788.4	$ 282.0	$ 812.5
Cuba	367.0	696.3	335.5	682.7
Europe	244.5	3.1	180.3	5.3
Asia	132.0	6.9	86.2	6.9
Other foreign countries	28.4	-	18.7	-
	$1,086.0	$1,494.7	$ 902.7	$1,507.4

17. Financial instruments

Unutilized lines of credit as at December 31, 2004 were $76.3 million.

18. Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

19. Subsequent events

(a) On January 28, 2005 the Corporation announced its intention to redeem the remaining $200.0 million 6% convertible debentures. In accordance with the indenture governing the 6% convertible debentures, Sherritt has elected to issue common shares to holders of the debentures upon redemption, to satisfy the redemption price. The redemption date is March 9, 2005. The redemption would result in the issuance of 106.49 common shares for each $1,000 principal amount of debentures, determined in accordance with terms of the indenture. Debentureholders will continue to have the right, until the day prior to redemption, to convert their 6% convertible debentures into common shares at a conversion price of $8.775 per common share, which equates to 113.96 common shares per $1,000 principal amount of 6% convertible debentures. The redemption/conversion will increase 2005 net income by approximately $9 million as a result of reduced interest expense, accretion and amortization of deferred financing charges.

(b) In February, 2005 the Corporation announced a one-time issuer bid for the repurchase of up to 10 million common shares at a price of $10 per common share. The issuer bid will remain open until March 11, 2005 and is subject to the terms of the Offer to Purchase.

(c) On March 3, 2005, the Corporation and its Cuban partner executed a base agreement providing for an expansion of annual production by 16,000 tonnes of nickel plus cobalt in mixed sulphides, to a total of 49,000 tonnes. The Corporation and its Cuban partner have agreed to equally fund the projected capital requirements, up to U.S.$450 million. In addition, the Cuban partner has agreed to ensure the granting of concessions for ore reserves for 25 years of production at the expanded rate of production. Construction is anticipated to begin in 2005 with project commissioning expected by the end of 2007. Basic engineering and a drilling program to delineate ore reserves in the concessions already granted have begun.

The Corporation expects to fund or enter into commitments to fund projected capital expenditures of approximately U.S.$50 million in 2005, with the balance over 2006 and 2007. During the course of basic engineering, the Corporation and its Cuban partner will file certain detailed engineering information necessary for the granting of regulatory permits in Canada and Cuba for the construction and operation of the expanded facilities. Under the base agreement, the continuation of the project implementation is subject to the receipt of such permits and satisfactory completion of definitive documentation and resolutions by stipulated dates as provided for therein. The Corporation and its Cuban partner have also maintained their agreement in principle that the scope of the proposed expansion would include an assessment of an additional expansion of approximately 32,000 tonnes per year, following the completion of the 16,000 tonnes expansion. However, the Corporation and its Cuban partner are not committing any capital or reserves to any such additional expansion at this time.

(d) Two short-term borrowing facilities expired in the first two months of 2005. One of the facilities has been renewed and the other is in the process of being extended.

Schedule of Selected Current Assets and Accounts Payable by Operating Segment

December 31, 2004

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Accounts receivable	$ 26.8	$ 50.1	$ 135.8	$ 47.3	$ 11.4	$ 11.2	$ 282.6
Inventories	20.0	65.8	-	11.0	6.3	-	103.1
Overburden removal costs	1.4	-	-	-	-	-	1.4
Prepaid expenses	1.2	3.8	1.3	6.0	1.4	0.7	14.4
Future income taxes	2.4	11.7	4.8	-	-	-	18.9
	$ 51.8	$ 131.4	$ 141.9	$ 64.3	$ 19.1	$ 11.9	$ 420.4
Accounts payable and accrued liabilities	$ 38.2	$ 57.0	$ 30.5	$ 11.2	$ 19.0	$ 22.9	$ 178.8

September 30, 2004 (restated)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Accounts receivable	$ 30.3	$ 57.3	$ 147.0	$ 56.6	$ 8.8	$ 5.9	$ 305.9
Inventories	20.8	73.5	-	15.1	9.1	-	118.5
Overburden removal costs	1.5	-	-	-	-	-	1.5
Prepaid expenses	0.9	3.3	2.3	0.9	1.3	1.0	9.7
Future income taxes	-	14.8	6.2	-	-	-	21.0
	$ 53.5	$ 148.9	$ 155.5	$ 72.6	$ 19.2	$ 6.9	$ 456.6
Accounts payable and accrued liabilities	$ 40.1	$ 55.0	$ 34.3	$ 1.4	$ 16.7	$ 23.6	$ 171.1

June 30, 2004 (restated)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Accounts receivable	$ 31.8	$ 57.6	$ 161.0	$ 61.2	$ 8.2	$ 8.7	$ 328.5
Inventories	18.7	64.6	-	11.7	10.4	-	105.4
Overburden removal costs	1.9	-	-	-	-	-	1.9
Prepaid expenses	1.7	3.7	0.9	1.6	1.3	3.7	12.9
Future income taxes	-	14.3	6.9	-	-	-	21.2
	$ 54.1	$ 140.2	$ 168.8	$ 74.5	$ 19.9	$ 12.4	$ 469.9
Accounts payable and accrued liabilities	$ 33.5	$ 49.1	$ 35.2	$ 2.0	$ 20.1	$ 17.2	$ 157.1

March 31, 2004 (restated)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Accounts receivable	$ 37.6	$ 54.7	$ 162.2	$ 64.5	$ 11.0	$ 12.8	$ 342.8
Inventories	19.0	76.6	-	8.3	12.5	-	116.4
Overburden removal costs	1.6	-	-	-	-	-	1.6
Prepaid expenses	1.9	3.8	0.7	2.6	1.4	3.0	13.4
Future income taxes	-	15.6	6.4	-	-	-	22.0
	$ 60.1	$ 150.7	$ 169.3	$ 75.4	$ 24.9	$ 15.8	$ 496.2
Accounts payable and accrued liabilities	$ 38.9	$ 65.8	$ 34.9	$ 0.7	$ 28.1	$ 20.5	$ 188.9

December 31, 2003 (restated)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Accounts receivable	$ 31.6	$ 48.8	$ 163.3	$ 56.8	$ 8.9	$ 14.0	$ 323.4
Inventories	21.9	67.8	-	8.5	9.9	-	108.1
Overburden removal costs	2.1	-	-	-	-	-	2.1
Prepaid expenses	1.0	4.2	0.6	3.3	1.2	0.8	11.1
Future income taxes	-	11.6	5.1	-	-	-	16.7
	$ 56.6	$ 132.4	$ 169.0	$ 68.6	$ 20.0	$ 14.8	$ 461.4
Accounts payable and accrued liabilities	$ 38.9	$ 58.4	$ 39.0	$ 5.0	$ 23.1	$ 27.7	$ 192.1